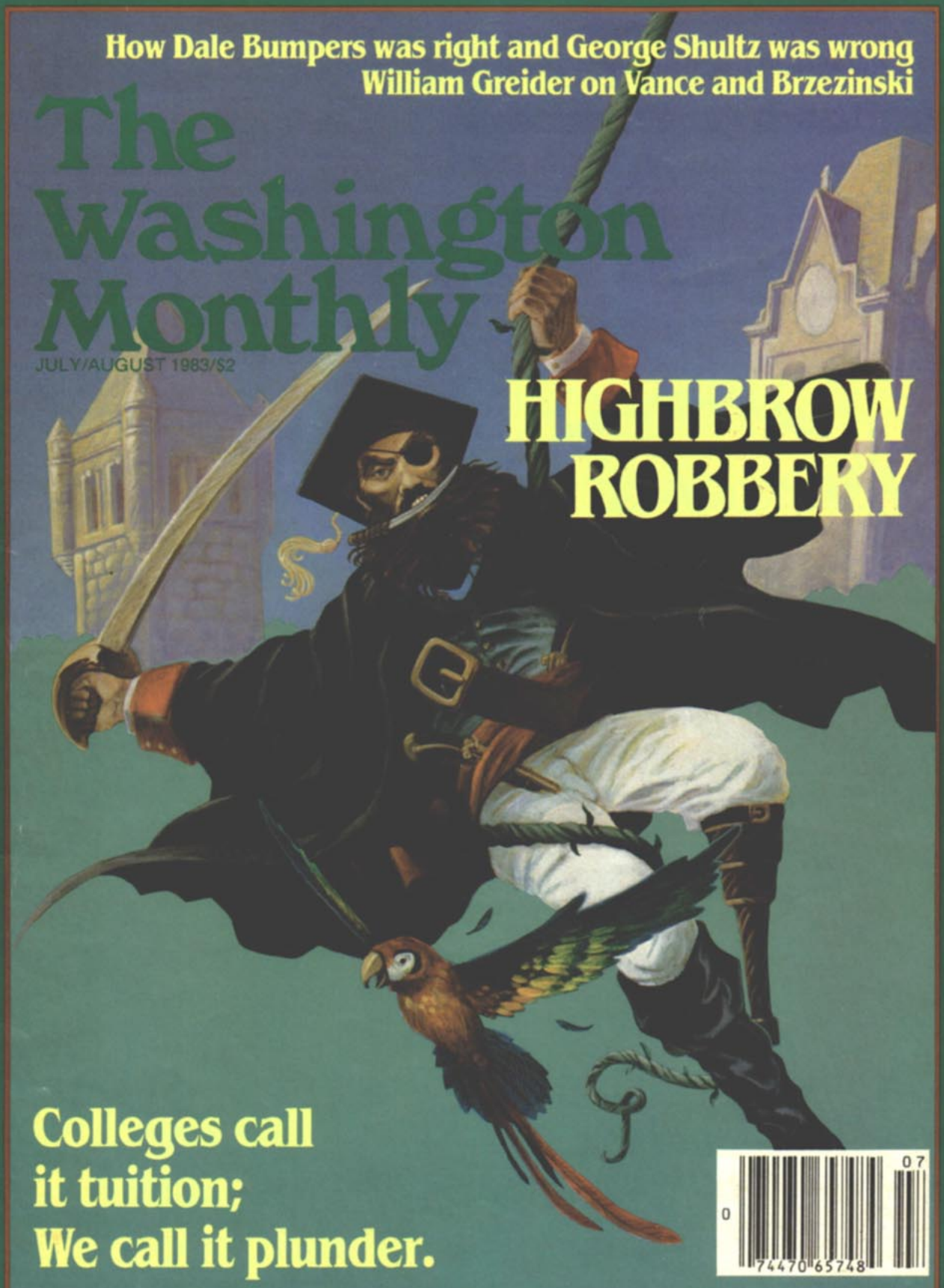
How Dale Bumpers was right and George Shultz was wrong
William Greider on Vance and Brzezinski

The Washington Monthly

JULY/AUGUST 1983/$2

HIGHBROW ROBBERY



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HOW MUCH IS TOO MUCH TO DRINK IF YOU'RE DRIVING?

USING THIS CHART MAY HELP YOU KNOW YOUR LIMIT.

First, you should understand that drinking any amount of alcohol can impair your ability to drive.

The generally accepted way to measure intoxication is by your Blood Alcohol Concentration (BAC). In most areas, the legal definition of intoxication is .10 percent BAC and above. However, long before you reach .10 BAC, your judgment and motor skills deteriorate rapidly. In fact, some states include the definition of impaired driving ability, which usually begins at .05 percent.

Important factors to keep in mind are how much you've drunk in a given period of time, how much you weigh and whether you've been eating. Your age, individual metabolism and experience with drinking are also factors. However, it simply is not true that beer or wine is less likely to make you drunk than so-called "hard" drinks. A 6-ounce glass of wine, a 12-ounce can of beer or 1½ ounces of 86-proof whiskey have about the same amount of alcohol and will have about the same effect on you.

How to estimate your Blood Alcohol Concentration. Although the effects of alcohol vary a great deal, the average effects are shown in the accompanying chart prepared by the National Highway Traffic Safety Administration. Find your weight in the left-hand column and then refer to the number of drinks you have had or intend to have over a two-hour period. For example, if you weigh 160 pounds and have had four beers over the first two hours you're drinking, your Blood Alcohol Concentration would be dangerously beyond .05 percent, and your driving ability would be seriously impaired—a dangerous driving situation. Six beers in the same period would give you a BAC of over .10 percent—the level generally accepted as proof of intoxication.

It is easier to get drunk than it is to get sober. The effects of drinking do taper off as the alcohol passes through your body, but the drop is slow. In the example above, the person who had six beers would still have significant traces of alcohol in his blood six hours later.

Having a full stomach will postpone somewhat the effects of alcohol, but it will not keep you from becoming drunk.

Black coffee, cold showers, or walking around outdoors will do nothing to make you sober. Of course, someone who claims, "I'll be okay as soon as I get behind the wheel," may be making a fatal misjudgment.

At General Motors, we have developed a device which tests a driver's reflexes and motor responses before it allows the car to start. The Department of Transportation is now testing it in California as a deterrent to repeat offenders. Today, you, the driver, have to know your limits and when you've gone beyond them. If you have any doubts, don't drive.

Even if you're not drinking, other drivers may be. Your best protection is still the seat belts in your car. Accidents do happen, and wearing lap and shoulder belts doubles your chances of coming through one alive.

DRINKS (TWO-HOUR PERIOD)

Weight	1½ ozs. 86° Liquor or 12 ozs. Beer											
100	1	2	3	4	5	6	7	8	9	10	11	12
120	1	2	3	4	5	6	7	8	9	10	11	12
140	1	2	3	4	5	6	7	8	9	10	11	12
160	1	2	3	4	5	6	7	8	9	10	11	12
180	1	2	3	4	5	6	7	8	9	10	11	12
200	1	2	3	4	5	6	7	8	9	10	11	12
220	1	2	3	4	5	6	7	8	9	10	11	12
240	1	2	3	4	5	6	7	8	9	10	11	12

BE CAREFUL DRIVING BAC TO .05% — **DRIVING IMPAIRED .05-.09%** — **DO NOT DRIVE .10% & UP**

Source: NHTSA

The chart shows average responses. Younger people generally become impaired sooner, while older people have more vision problems at night. Tests show a wide range of responses even for people of the same age and weight. For some people, one drink may be too many.

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LETTERS

Congressman Guarini

I read with absolute consternation the recent article by Ed Barnes entitled "The Agony and the Avarice." Despite being a strong proponent of complete freedom of the media, I cannot leave to posterity such a compilation of vitriolic misinterpretations and misstatements of fact.

Firstly, let me say that I have been associated with Frank J. Guarini in the practice of law for more than 20 years during which time his integrity and sense of fairness have been the hallmark of his existence. I do not speak out merely from a sense of loyalty or dedication but from direct knowledge of the issues. Indeed, I was one of the architects of the litigation from the very onset.

A prime falsehood was the inference that 860 people suffered the ravages of cancer. The fact is that there were three contested cancer cases among the entire group and those three averaged a gross settlement of $22,200. This amount is a far cry from the $1,400 stated in the article. The record will also reveal that some 61 persons had emphysema while roughly 788 suffered from a milder form of bronchitis. Each plaintiff received a settlement commensurate with his disability as established by medical experts and through court adjudication.

Much has been said about fees, which were calculated strictly within the guidelines promulgated by New Jersey's highest court and with the awareness of the Superior Court. Multiple court appearances, conferences, interrogatories, depositions, investigation, research, and differing background demanded that each of the plaintiffs be treated separately. Five long years commanding the exhaustive dedication of several attorneys and their staffs easily explain the expenses incurred, not all of which were reflected in the reimbursements at the conclusion of the litigation. All of these factors taken into consideration would reveal a net fee of under $750 for each plaintiff.

The general tenor of the plaintiff's reaction to the settlement was "found money." The chorus was not unreasonable in view of the novelty and difficulty of the litigation.

EMIL A. DEL BAGLIVO

The editor replies:

Mr. Del Baglivo is correct both with respect to the nature of the injuries and the payments received by the three alleged cancer victims and we retract the erroneous statements, which were the fault of the editors. We also apologize to Congressman Guarini for any unintended harm that may have resulted from readers mistakenly concluding that he acted in an illegal manner. We recognize that the trial court allowed the legal fees and that Mr. Guarini did not act unprofessionally or unethically by the standards of many in the New Jersey bar. While we have discovered that Mr. Guarini's firm shared a substantial portion of its fees with co-counsel, we nonetheless continue to believe the fees were too high.

Daft on the Draft?

Phil Keisling's otherwise excellent look at the Pentagon and military compensation ["Soldiers of Good Fortune," May] was marred by the (not unexpected) endorsement of the draft. But a draft would cost society more; conscripts would merely bear a disproportionate share of the cost of the military. A draft would not even cut budget costs, since less than 10 percent of the total personnel bill goes for first-termers, those who would be drafted. That "savings" would be more than made up for in draft enforcement costs and increased career benefits to coax reluctant conscripts to reenlist.

Nor would a draft necessarily make the military much more representative—whatever that means, since Keisling presumably expects it to remain overwhelmingly young, for example—unless *no* volunteers were accepted. And former Selective Service Director Bernard Rostker estimates that even a total draft would only marginally reduce the number of recruits in the lowest mental category and increase by about 15 percent the number in the highest two categories. As for the career force, it is already highly representative of American society—without conscription.

DOUG BANDOW
Washington, D.C.

Stanford Billing Procedures

In your column ["Tilting at Windmills"] in the April issue you allege that Stanford University's administration had concocted a scheme of double billing Medicare.

The statement is false.

As Frank Camozzi of the Health Care Financing Administration clearly states in the July 16, 1981, issue of the *San Jose Mercury*, Stanford's billing problem was not unusual, because it involved an area in which the regulations and the law were confusing.

After the accounting principles were agreed upon, Stanford paid back $1.5 million to Medicare. This was an accounting adjustment of about 2.6 percent out of a total reimbursement of $58 million.

SPYROS ANDREOPOULOS
Stanford, California

Spyros Andreopoulos is director of communications at Stanford University Medical Center.

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A Dubious Reform

You are usually right on the mark in the even-handedness of the ideas in your column, but the recent praise you gave to the framers of the Social Security "reforms" ["Tilting at Windmills," March] ignores the injustice they did to a large group of people.

Of course I am a member of that group—why else would I be writing? I refer to "self-employed" persons. Under the old law, we were required to pay 9.35 percent of our income as "self-employment tax," which is our contribution to Social Security. This is supposed to be roughly 150 percent of the Social Security payment that an employed worker—one who works for a corporation, business, or someone else—pays. The theory is that because an employed worker has his or her Social Security matched by the employer, self-employed persons ought to pay more than the regular percentage.

The original report of the National Commission on Social Security Reform—which you praised—called for self-employed persons to be required to pay the combined amount of the employer and the employee taxes—which would have amounted to 15.3 percent in 1990.

Fortunately, Congress has reduced this to a mere 13.02 percent in 1988-89. Even so, take a look at what this will mean. For a worker earning $12,000, this will mean a Social Security tax of $1,562; for a worker earning $20,000, $2,604. It is important to note that these figures are the same for a single person without dependents or for a married person with many dependents and any amount of other deductions. The self-employment tax is on one's *gross* personal income; you are not even permitted to list it as a business expense.

Also remember that the figures above do not include income tax. Using this year's tax tables, the self-employed worker making $12,000, with a spouse and one child and taking the standard deduction, will pay an additional $774, for a total tax bill of $2,336; the $20,000 self-employed person, in the same circumstances, will pay an additional $2,239, for a tax bill of $4,843. State and municipal taxes—as we pay here in New York—further add to this burden.

THOMAS HOOBLER
New York, New York

The editor replies:

Of course Thomas Hoobler is right. I praised the compromise as the best we could get now.

Course Load Logic

Since I admire *The Washington Monthly* and am a particular fan of Charles Peters' "Tilting at Windmills," I was distressed by his comments in the May issue concerning Paul Arthur Crafton and Charles I. Villiers. Apparently these two men acted unethically and abused the universities which employed them, a fact which allows Mr. Peters to leap to the stunningly illogical conclusion that parents should "suggest an escalating course load for the faculty."

Surely a sophomore on the verge of failing an introductory course in logic wrote those lines, not Charles Peters. Certainly our system of higher education has flaws and failures, which should be given attention, but to say (on the basis of two malefactors) that faculty members should be given increased course loads is intellectually offensive.

PAUL J. HURLEY
Carbondale, Illinois

Paul Hurley is a professor at Southern Illinois University.

The editor replies:

To avoid further offense, we urge Professor Hurley not to read Timothy Noah's article on page 16.

The High Cost of Nothing

In reporting the "speaking fees" and "gifts" paid to Mssrs. Campbell and Brown of the California legislature ("Tilting at Windmills," May) you made two mistakes, one minor, the other one grave.

The minor one lay in characterizing Mr. Brown as a mere state assemblyman. In fact, he's the speaker of the assembly—a considerably more powerful figure in the California scheme of things than Mr. Campbell—and like quite a few of his fellow Californians, a man rather more accustomed to brag about his little excesses than apologize for them.

As for the grave one: you write that Mr. Campbell received $31,150 last year for doing very little, and Mr. Brown $13,964 for doing nothing whatsoever. I don't doubt this is quite true. Your mistake lay in reporting it. Because that puts the speaker precisely, publicly, $17,186 behind in the gift column, which won't please him at all, I'm quite sure. Let me predict you've just cost various special friends of Mr. Brown that much and more in "contributions" over the coming year, and the rest of us whatever political favors they will buy.

Willie Brown, you see, doesn't like to finish second at anything, particularly in print.

PHILIP REED
Albany, California

A Neoliberal Manifesto

In recent presidential elections I have found myself incapable of voting for either candidate. I wasn't more than a couple of hundred words into your "A Neoliberal's Manifesto" [Charles Peters, May] when the reason was finally revealed. I have been a closet neoliberal.

COLIN G. JAMESON
Key West, Florida

Charles Peters' article on neoliberalism articulated the feelings and beliefs of many of us residing in the political hinterlands (that which is not Washington, D.C.). His vision sparks fire where the platforms and dogmas of the announced presidential hopefuls lull one to fitful sleep.

Maybe we should draft him!

SYLVIA WATSON
Louisville, Kentucky

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I think the debate about the military draft has been out of focus for some time, diverted to side issues. That's one reason it has always made me uneasy to hear you argue for the draft on the basis of its beneficial side effects, such as the Harvard-hillbilly fellowship it might inspire. I support your social objective in other areas but not when used to marshal support for draft laws that I don't think meet the essential moral, military, and constitutional requirements.

Conscription for actual combat is perhaps the most profound moral and constitutional issue in democratic government, but it loses most of its meaning in the abstract. Almost anyone will grant that a country has the right to override individual rights and scruples in *some* war of stark self-preservation; opinions divide over whether *this* situation is such a war. Therefore, the awful responsibilities of draft decisions lie in the specifics. We have avoided these decisions by accepting the draft as a contingency and then leaving questions about the use of draftees pretty much to the president.

To me, the first principle of democratic conscription is that no citizen should be forced to kill and/or be killed against his will unless and until the president and the Congress declare that it is necessary to survive a specified military emergency. The declaration should be one of the utmost formality and solemnity, and it should remain in effect for only a limited time without renewal. That way, questions of authority, morality, and necessity will be faced squarely, as they should be. Until then, the government will have under its arbitrary authority only those soldiers who have submitted to command voluntarily.

I believe that the above rule is the first necessary element of any conscionable draft law. (As far as I can tell, the various War Powers acts fall far short of the principle I have in mind.) Only when it is included can I comfortably address the subordinate questions, such as whether we need a peacetime draft now. I certainly agree that no classes of people should be exempt, but I would be inclined to favor some form of universal military training during peacetime that would expose civilians to military life and provide a pool of potential volunteers (or even draftees) in the event of a real war.

Obviously, the universal training idea could be perverted into a giant National Guard country club, but I think this risk is insignificant in comparison to the kind of perversion that has accompanied the peacetime draft, when democratically conscripted soldiers have been subject to the whims of a commander. This gets my anti-royalist dander up.

TAYLOR BRANCH
Washington, D.C.

I find it heartening to see an attempt to provide a coherent alternative to the dominant policies in U.S. national politics. Unfortunately you undercut your Manifesto fatally by ignoring foreign policy, the single most dominant factor in allocating the federal government's resources. No one can propose domestic policies without first evaluating what U.S. defense spending should be. No one can make that determination (at least no one *should*) without basing it on a coherent foreign policy. The U.S. does not have such a policy, and you do not provide one.

Given Reagan's aid to Nicaraguan rebels (which *is* illegal, State Department sophistries notwithstanding) and the real possibility of direct U.S. involvement in a Central American war provoked, in part, by these covert acts, no writer of a manifesto on public policy can consciously ignore this debate and retain credibility.

I hope by these criticisms to spark debate and not simply to refute your positions.

OSCAR CHAMBERLAIN
Bloomington, Indiana

The Manifesto is great. I like it so much, I'm even ready to stand still for the minute of silence in schools. Christian mythology means so much to so many. Henry IV was right, "Paris is well worth a mass." Let us get on with the important agenda.

JOSEPH BURKHOLDER SMITH
Jacksonville Beach, Florida

In coining the term neoliberal, Peters merely tacks a new label to an ageless method of cogitation. A true liberal—in my view, one of the flexible FDR mold—is one who is favorable to progress or reform; in other words, one not bound by traditional or conventional ideas. However, that does not mean bizarre ideas but rather ideas which follow a clear-cut path to logical conclusion.

Man has been trying to answer political questions since the beginning of recorded history. Rather than paste new labels on political philosophy, why not

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search for more solutions to the problems modern society creates? That would truly be a triumph for liberalism.

PAUL KELLOGG
New York, New York

"A Neoliberal's Manifesto" *almost* persuades me to start the long trek back to the liberal camp. When I left, it was as much because of the disillusionment with the tortured liberal rationalizations that contradict the plain and simple evidence of everyday experience, as with an inability to stomach any longer the contempt in which so many liberals hold their country and their fellow citizens.

They don't know what to make of it, those wise and sophisticated souls among whom I work and live, but I won't join in on the trashing-America sessions any more.

MARGARET DANBROT
Brooklyn, New York

Your "Neoliberal's Manifesto" issues a call for renewed patriotism that must be carefully examined.

Patriotism has led Americans to assert and try to prove that the USA is the biggest, the strongest, the best country on earth. The result of these efforts is often the alienation of much of the rest of the world.

Today we must foster a spirit of international co-operation rather than competition. We must realize that not only Georgians and Iowans but also Nigerians and Vietnamese are our brothers and sisters.

CARL STEIN
Washington, D.C.

I began your article, "A Neoliberal's Manifesto," with high hopes. We who are liberals obviously do need to rethink many of our past assumptions.

While some of the ideas you put forth did contain merit, your theory as a whole has a fatal flaw: It does not take into account the special needs of 51 percent of the U.S. population. In order for our economy to flourish, we need the full participation of the women of this country.

One of the preconditions for this participation is the access to safe abortions for all women. In your statement that abortion is an example of single-issue politics, you seem to be implying that it is not legitimate for citizens to judge a politician solely on the basis of his stand on abortion rights. This shows a fundamental ignorance of the reality of women's lives. Our ability to participate in the marketplace is dependent on our ability to control our reproductive functions. No matter what else a politician may do to help the economy, if he votes against abortion rights, he is serving to economically handicap over half of the U.S. population. Women are not a special-interest group. We are a largely economic minority.

If you and the 19 men you listed as some of the founders of neoliberalism wish to truly address the economic needs of this country, you must first address the economic needs of American women. The economy will never be healthy until women are healthy.

JANET TURNER
San Lorenzo, California

I notice that none of the people Charles Peters cites as neoliberals are women; indeed some of the people he names are even on record as being hostile to feminism. Does this mean that women can expect to feel as alienated from neoliberalism as they once felt about the New Left?

For instance, Peters advocates reinstituting the draft as a means of "bringing people together," but he does not include women as one of the categories of people who suffer from "separatism." Obligatory military *or* non-military service for both sexes, with job opportunities open to all on the basis of interest and merit, not gender or race (so that my sister Susie won't be stuck in a dead-end typing job), would go a long way in helping break down the various social barriers among segments of our society. Gender discrimination works both ways in the draft; it poses potential danger to male lives, but it also excludes females from all the benefits—financial, social, and professional—of being a veteran.

LESLEY A. RIMMEL
New York, New York

What really hit home in "A Neoliberal's Manifesto" was your Don't Say Anything Bad About The Good Guy remarks. I've written a few earnest articles for *Learning Magazine* on such topics as black dialect, discipline, unions. I guess I'm naive, but I had hopes that intelligent, earnest, caring educators would want to *discuss* issues. And many teachers do. I've been touched by many of the letters—both those agreeing and those disagreeing. But the leadership—the education professors, the national directors, the union chiefs—all act like I've *betrayed* them. A man prominent in an educational organization, someone whom I know to be caring, earnest, and all that, wrote me, "How *could* you?" While privately agreeing that I had made some good points, he insisted that organizations such as theirs have to exaggerate their public statements to make a point. People who privately agreed with me insisted I must not give ammunition to the Enemy. If you don't subscribe totally to the Good Guy's exaggerations, then you must be BAD. If you think all children should be taught standard English, then you must be a racist. If you think Al Shanker is out of touch with the realities of the classroom, then you must be anti-labor.

After 16 years as a secondary teacher my job was eliminated and I decided to use that as an opportunity to switch directions. I applied for a primary school position. My union was aghast, warning me I'd lose all "vested interests," whatever those are. I told the union never mind, that I cared more about job satisfaction than security. But the union insisted that my vested interests must be protected despite my desires and worked against my primary appointment. The state education department was also concerned. They insisted that despite the fact I had taught reading for 16 years I must take six units in reading before I could enter a primary classroom. I contacted an official in the state education department, someone for whom I'd worked as a consultant in primary education. He sighed and said yes, it was silly but "you know those

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guys in certification." I contacted a state university professor who had written me a fan letter about an article I'd written and he sighed and said yes, it was silly but "you know those guys in certification." Certification, baloney. They are all out to protect their own bureaucracy. If they make people like me keep taking their damned courses, they keep their own positions secure.

I took the silly courses because I really did want to teach third graders. And I love those squirmy, talkative, curious, full-of-fun third graders. I lost my seniority to teach them. The demographics are ominous. But these eight-year-olds are definitely worth the union's wrath and state ed's red tape.

SUSAN OHANIAN
Troy, New York

Hip, hip, hooray! Three cheers for the Neoliberal Manifesto. I have just reproduced it for my three children: two superannuated flower children and one neoconservative, as well as for a number of good friends. I wish that you would reproduce it in pamphlet form for a reasonable rate so that it might be circulated more widely. It's a 20th century "Common Sense." It's a bunch of ideas whose time has come.

I especially concur with your thoughts on the destructive aspects of the adversarial system, which I have had some immediate experience with. As a non-lawyer judge and a veteran of the Peace Corps in Ethiopia, I also agree that one does not need a piece of paper to do an effective job and even a professional one. All other things being equal, I believe judges should have a law degree, but as a fellow (lawyer) judge said, all other things are never equal. I believe it was Frank Lloyd Wright who was in favor of employing what he called "gifted amateurs," something we both saw work well in the Peace Corps. It is also a particularly American talent, the gifted amateur, and the commitment to an idea that expresses itself in volunteerism around this country. I also want to applaud your tilting at snobbery, a time-consuming and tiresome vice. I guess my own special peeve is pretentiousness, something that is in blessedly short supply here in the boondocks where I reside.

One issue you didn't take up, which concerns me, is "environmentalism," that much overused and misused word. It is certainly a primary concern for all of us both in terms of the negative aspects of pollution of the earth and the positive ones of protection of natural beauty for our delight. As a longtime nature lover and actual wilderness dweller I felt unquestionably committed to preserving the beauties and the safety of the environment. I seriously doubt that there are many who feel otherwise if they stop to think about it. We can be grateful to the self-styled environmentalists who first brought to our attention that we were polluting and destroying our natural habitat. However, it seems to me that we have perhaps gone too far in our zeal to prevent such crimes against nature and that we need to be able to work out an equitable way to tap our resources and provide the raw materials.

CYNTHIA FRANCISCO
Silverton, Colorado

The Washington Monthly

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Published monthly except combined July/August issue by The Washington Monthly Company, 2712 Ontario Road, N.W., Washington, D.C. 20009, (202) 462-0128.

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ISSN 0043-0633.

Subscription rates: U.S. and possessions: one year, $24; two years, $44; three years, $59. Additional charges per year, foreign subscriptions: Canada, $3; other, $25 air mail, $3 surface mail. Back issues, $3. Send all remittances and correspondence concerning subscriptions, undelivered copies, and changes of address to 2712 Ontario Road, N.W., Washington, D.C. 20009. For changes of address, please provide four weeks' advance notice and return old address label.

The Washington Monthly is indexed in the Book Review Index, Public Affairs Information Service, the Reader's Guide to Periodical Literature, the Social Science Index, and Ulrich's International Periodicals Directory, and may be obtained on microfilm from University Microfilms International, Ann Arbor, MI 48106.

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been more surely effective and would not have killed anyone.

What troubles me most about the neoconservatives is this failure of humanity. Just as they do not feel the misery of the down and out but instead delight in anecdotes about the welfare cheats, they also fail to feel the horror of war, the intestines hanging out of some young boy as he screams in agony on some bloody battlefield. If we care about that boy, we will use all our intelligence and imagination to search for peaceful ways of being tough when we have to be tough.

On the other hand, as much as I disagree with them now, there can be no doubt about the tremendous contribution that Kristol and some of the other neoconservatives made in exposing the intellectual fat in American liberalism. And there are still a few things they are right about. Kristol, for example, is brilliant on why we should stop wasting money on NATO and why the Europeans should take it over. His argument is that the basic premise of American involvement in NATO—that our 300,000 troups are hostage to our pledge to protect Western Europe with the bomb—is fallacious because an American president would finally decide to let our 300,000 soldiers die rather than have 100 million other Americans perish in a nuclear exchange. So, he argues and I agree, the Europeans would be wise to build an adequate conventional defense for themselves, realizing that neither of the superpowers is likely to get into a nuclear war over the fate of Europe.

Another time I found myself agreeing with Kristol was when he said, "Socialism is dead." Or almost agreeing. Certainly capitalism has more economic vitality. And certainly modern bureaucratic socialism with its tenured employees is dead. But I still believe that socialism of the kind we had with the Post Office of the thirties—under which those who didn't deliver the mail were fired—could still work at least in some cases.

I'm sure this is incomprehensible to the young, who know only the inept postal service of today. But in the thirties, even through the forties, socialists pointed to the Post Office as the best demonstration that their ideas were indeed practical. . . .

Another delicious item from the Washington Talk page of *The New York Times* is a report from Paris by E.J. Dionne Jr. about the 33 members of the House and the Senate who were there for the Paris International Air Show. Their arduous schedule included brunch at the Warwick Hotel, dinner at the Chateau de Villarceaux, lunch at Pre Catelan, tea at the Ritz, dinner at the Plaza Athenee, lunch at La Mer Catherine, a reception at the Crillon, and dinner at La Tour D'Argent. "If anybody thinks that doing all this is a vacation. . . ," said Senator Paula Hawkins, "then they ought to try to do it, too."

For those other congressmen who weren't invited this year but who think they have the fortitude to meet this challenge, Representative Norman Mineta explains the selection process: "Usually the groups are selected by the committee chairs or the House leadership. Let's put it this way. If a congressman offers an amendment to cut $27 million out of the chairman's favorite project, he won't get to come."

One congressman who doesn't vote the wrong way is William L. Dickinson. Since 1979, he has visited Great Britain, West Germany, Denmark, Norway, Switzerland, Italy, the Netherlands, and 19 other countries. . . .

Several years ago a reporter noted that Dr. Jefferson McAlpine of the District of Columbia's Mental Health Administration was doing quite a bit of traveling, 51 days' worth in fact. Dr. McAlpine defended himself: "If the same meeting that took place in Honolulu had taken place in Baltimore, there would have been no question on it."

When Dionne similarly questioned Senator David Durenberger in Paris, Durenberger replied, "You can't win with these things. You get criticized if you take trips. But then a group recently criticized the Senate because it believed that not enough senators had visited the Soviet Union. What are you supposed to do?"

I have an answer for the doctor and the senator: Why not try Baltimore and the Soviet Union instead of Honolulu and Paris for your next trip. The rest of us just might be a little more willing to concede that it really is a business trip. . . .

According to a recent national survey of who buys what where, Los Angeles men lead the nation in the purchase of hand and body creams. They also buy 52 percent more hair spray than the national norm and twice as many

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designer jeans. Angelenos also lead the nation in buying breath fresheners.

What do they do once they're creamed, sprayed, freshened, and Calvined? Why, they go out and buy roach traps, of course—69 percent more roach traps than the national average.

If you are a bit concerned that these are the same people who decide what we see on television and at the movies, determining the nature of the myths and legends that become part of us all, consider the survey's findings about the people in Washington who make most of the other decisions that dominate our lives.

One would like to believe our leaders approach each day with calm confidence in themselves and in the nation's future. In fact, the survey shows they drink more heavily than the norm, suffer from more insomnia, and—think about this one for a while—invest more in gold. . . .

If, as you pay more of your income to the gas company each month, you occasionally yield to cynical speculation about just what causes all those rate increases, you're on the right track. Take the case of the Panhandle Eastern Pipeline Co., which sells gas in Kansas, Missouri, and other states. Its customers are paying for a golf course each time they pay their gas bill. Don't they at least get to play a round or two on the course? No, it's for the exclusive use of Panhandle's employees. It cost $1.3 million to build and takes more than $100,000 a year to operate. And, according to Myron Levin of the *Kansas City Star*, its full cost went into Panhandle's rate bases last October. . . .

I know there are doubters, naysayers, and others of little faith out there who question whether neoliberalism is truly the wave of the future. I hope they will ponder this article by Steven Reddicliffe of the *Dallas Times Herald:*

"In 'The A-Team,' Mr. T is a citizen crime fighter, a volunteer, and a bit of an entrepreneur, not a guy on the government payroll. And yet Mr. T works at a day-care center, helping poor kids. In short, Mr. T is a neoliberal, a fellow whose actions say yes, we must take a more active role in our society—and no, we can't expect the government to take care of everything. But his actions go on to say that doesn't mean the government should ignore people who need the government's help." . . .

Two observers I admire, Albert Hunt of *The Wall Street Journal* and Hendrik Hertzberg of *The New Republic*, have recently written laudatory articles about Mario Cuomo, the governor of New York, articles that I'm sure got me and a lot of other people thinking about Cuomo as a presidential possibility. So I asked an old friend who has been close to Cuomo whether I should get excited or not.

He was enthusiastic in every respect but one. That one flaw, however, succeeded in deflating my own budding enthusiasm. He says Cuomo is a poor talent scout who seems afraid of surrounding himself with the best and most challenging staff and cabinet. . . .

If you share my tendency to romanticize about World War II, be sure to read Omar Bradley's autobiography, *A Soldier's Story*. Our generals may have won the war, but the backbiting among them was as lethal as anything that ever went on in the White House, on Madison Avenue, or any other of the more infamous arenas of intrigue among rivals.

Bedell Smith, for example, is characterized as "grimly abrasive" and "neurotic." Even Bradley's patrons, Eisenhower and Marshall, sometimes get it. Ike's shown to be preoccupied with maintaining a paper record dedicated to making himself look good. And Marshall is shown to succumb to the usual Washington preoccupation with how things look in the press. . . .

Life in the military does offer some compensation for the backbiting. Consider this description of one Army base, the Presidio in San Francisco, by Susan Ager of *The San Jose Mercury*:

"From the bentwood rocker in her living room, San Francisco State University student Cathy Smith watches sunsets over the ocean. Her three-year-old son plays in a sandbox at the top of a high hill, carpeted with wildflowers, that dips down to the sea. Her husband, a 33-year-old major in the U.S. Army, works 8 a.m. to 4:30 p.m. and rarely brings work home. . . . Says her husband of their three-bedroom home overlooking the Pacific: 'I wish I owned the place. I could sell it and retire young.'

"What makes the Presidio special?

"—San Francisco is just beyond the gates.

"—It's an administrative base with little field duty for soldiers or officers, and

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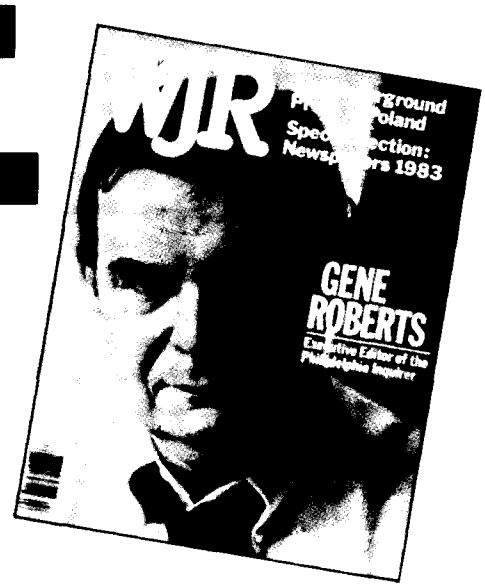

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businessmen's hours for the most part. 'There's less spit-and-polish here, less of that "be-all-that-you-can-be" attitude,' said one soldier.

"Because one-third of its military personnel are officers, it's a great spot to be if you want to be promoted quickly or collect awards, soldiers say. 'I know a guy who got a Department of the Army Certificate of Achievement for baking a cake,' one sergeant said.

"—Its 1,490 acres are 89 percent green, hilly, and lushly forested with eucalyptus and cypress and redwoods.

" 'I've fired an M-16 only twice since I've been here,' says Spec. 4 Beverly James, who's been at the Presidio for ten months." . . .

Several readers have complained that I gave a wrong figure on the amount of money that went to Civil Service retirement in 1982. I said $31 billion. The readers said it was $19 billion. My source was Donald Devine, the director of the Office of Personnel Management. The readers were citing the budget figure for payments to current retirees. Devine was also including payments to fund future retirees. But he also may have been guilty of some padding. When we asked his office for an explanation of the figures, we got a lot of charts and little clarity. So we'll continue to investigate. . . .

There are 44 elevator operator positions on Capitol Hill for people who operate *automatic* elevators. Representative Brown of Colorado moved to eliminate 14 of these jobs. "It gives us an opportunity to eliminate waste and abuse in our own operation," he said, adding, "I think that sets the right kind of example for our country." His motion was defeated 193 to 101. . . .

The gasoline tax that became effective this spring provided another lesson in the unanticipated consequences of legislation. The price of gas had been falling steadily. No refiner was raising prices. Then came the tax that increased prices five cents a gallon. Consumers accepted the increase. Refiners said, "Ah-ha," and now, instead of a continuing decline in prices, we have more and more refiners announcing increases. . . .

It has always seemed absurd to me that our corporations are audited by accounting firms selected and paid by the corporations. The results, not surprisingly, are such audit reports as Ernst & Whinney's giving a clean bill of health to United American Bank just three weeks before it was declared insolvent and Peat, Marwick, & Mitchell's doing a similar favor for Penn Square Bank before it went under. There is tremendous pressure on the accounting firm to tell the corporation what it wants to hear. Last year, according to *Public Accounting Report*, there were at least 92 clear-cut cases of accounting firms being fired by the corporations they were auditing. Why not have the auditors selected by some public body? They could still be paid by the corporations, so the taxpayers wouldn't have to foot the bill for the audit. But because the accounting firm would be selected independently, it could perform its function fearlessly. . . .

One reason we desperately need truly independent auditors is the growing tendency to fudge figures within the company. "Many middle-level managers—beset by economic problems they can't control, badgered to meet tough production targets and often working far from corporate headquarters—have been resorting to unorthodox and sometimes illegal devices to keep their heads above water," writes Richard L. Hudson in *The Wall Street Journal*. Why, SEC investigators asked one of the guilty parties, did he fudge his figures? The answer was that he wanted to look good to his bosses.

The kind of reporting the *Journal* did in this story has become increasingly common in business journalism. It takes the same kind of anthropological approach that *The Washington Monthly* has tried to take toward the various cultures that influence life in Washington—those of the bureaucracy, the Congress, the White House, the courts, the lobbies, and the press.

I wish we could claim credit for inspiring the anthropological approach to business, but I think the real reason for that development is Japan's trade victory over us in the seventies and the comparisons between Japanese and American business that were made as a result. Anyway, the resulting exploration of the attitudes and values of American labor and

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management has been invaluable, and I hope will be imitated by reporters on other beats. . . .

You may have read about the various scandals involving Atari and its parent company, Warner Communications, during 1982. If you were a stockholder, you certainly knew something was wrong, because at the end of the year the stock was worth about half what it had been at its high point. But the chief executive officer who presided over this dramatic decline, Steven J. Ross, got $1,301,497 in cash and cash-equivalent forms of remuneration, and $1,283,835 in contingent forms of remuneration. . . .

I am astounded that there has been so little outrage over William Casey's stock trading. The conservative *Washington Times* got to the heart of the matter with this editorial comment:

"When the CIA director was criticized for his profitable sale of $600,000 worth of oil stocks as the first signs of a world oil glut appeared, he set up a screening committee to tell him when he shouldn't participate in CIA decisions because his investments might be affected. In other words, the director of the Central Intelligence Agency arranges to bow out of a large part of the job Ronald Reagan hired him to do because it might complicate his personal financial dealings.". . .

An Associated Press dispatch from Indiana tells of a doctor whose license was suspended after he ordered 1,400 milligrams of Demarol for an operation and only 700 milligrams were given to the patient. Surgical staff members told authorities that the doctor used a syringe to withdraw the Demarol from the patient's supply and then left the operating room at least 15 times. They also said that he appeared trance-like for 20- to 40-second periods, stumbled on wires and tubing, squirted medication on the floor, and reached for objects that were not there. After other doctors found needle marks on the inside of his thighs, the state suspended his license.

Of course one feels sorry for the doctor, but how would you have liked to have been the patient on the operating table? And suppose that patient had died and you had been a member of his family and subsequently learned that prior to this episode the doctor's license had been suspended in California, Texas, and New Jersey because of drug abuse? He was a three-time loser, and the Indiana hospital didn't know about even one of the earlier episodes.

The horrible truth is that this is typical of the way American medical societies share information about their delinquents. Remember the case of Dr. Robert Sherman, which this magazine has followed over the years. After his license had been revoked in the District of Columbia for his negligence in performing an abortion that led to the death of a 16-year-old girl, we found him practicing in Virginia and then a few years later in Massachusetts.

The doctors protect themselves, not you. New York's health commissioner, David Axelrod, says that of the 670 complaints filed in New York last year concerning drug or alcohol addiction, unnecessary surgery, and illegal prescription of drugs, only one came from a medical society.

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And Paul Nyden of *The Charleston Gazette* has discovered that West Virginia's Board of Medicine took only one disciplinary action—the state has 3,000 doctors—in 1980 and 1981 combined. He also found that the West Virginia board

- refuses to release names of doctors who lose their licenses,
- refuses to identify doctors found guilty of fraud, drug violations, or sexually molesting patients,
- refuses to review court records of malpratice cases to determine which doctors are sued repeatedly. . . .

Simon & Schuster has published the autobiography of Joseph Bonanno, the distinguished racketeer and Mafia boss. Michael Korda, the book's editor, says, "Simon & Schuster and I have always taken the position that if a book is interesting, we should publish it. I don't think it's up to us to make a moral judgment."

This is quite similar to the reasoning used by the lawyers who represent the Mafia: "If they need a lawyer, it is my duty to answer the call." What is not mentioned but what is an equally essential ingredient in both cases is money: "and if we think the book will make a profit," or "if they can pay my fees." . . .

Elsewhere in this issue we're not very kind to Cyrus Vance, but there is one position of his that I enthusiastically endorse. It is his call for a nuclear-free zone in Central Europe. Vance wants to remove the battlefield nuclear weapons from both sides for a distance of, say, 125 kilometers from the border. If you share my anxiety about the 6,000 to 7,000 tactical nuclear weapons we have lying around Europe, this zone makes compelling sense. The present situation offers too much opportunity for unintended nuclear war arising from the foul-up of a foolish junior commander or similar mischance. . . .

The economic recovery is leaving a lot of fellows behind. Few economists expect unemployment to go below 9 percent, even by the end of 1984. Dun & Bradstreet reports that the number of business failures in the first four and a half months of this year was up 33 percent from last year. Robert Gough, an associate director of the Federal Deposit Insurance Corporation, predicts that there will be more bank failures this year than last—and last year's failure rate was the highest in 40 years. And *The Wall Street Journal* finds that the following industries "aren't fully sharing in the much-heralded recovery": steel, construction machinery, heavy trucks, coal mining, oil and gas drilling, commercial aircraft, farm equipment, casualty insurance, industrial construction, and many parts of agriculture. The *Journal* also reports that in "the less visible businesses that supply those industries, plants are still being closed and workers are still being laid off." Among these are producers and distributors of castings, forgings, conveyor belting, truck tires, mining machinery, oil-field equipment, iron ore, bearings, and steel-mill equipment. Machine tool makers after adjusting for inflation have the lowest order and production levels since 1932. . . .

Last month we discussed how hard it is to succeed at direct-mail fund-raising. High art is called for. The latest example is the recent mailing by the Coalition for Peace Through Strength. The stationery has a gold seal of the United States at the top. Underneath are the words, "United States Congressional Advisory Board," and to the right the names of the co-chairmen: Senators Paul Laxalt and Dennis DeConcini and Congressmen Jack Kemp and Bill Chappell.

The letter, signed by them, reads: "Dear Friends: We are writing to personally invite you to join with us in the select United States Congressional Advisory Board now being organized," and ends, "Please say YES to us and our great country today. . . .join us and other opinion leaders as a distinguished member of the United States Congressional Advisory Board."

The accompanying brochure shows that for a contribution of $1,000 you will be designated a Chairmen's Advisor. "As a Chairmen's Advisor," it reads, "you will receive an unusually impressive sculptured brass plaque on hand-rubbed walnut with your name engraved. It will identify you as one of the key group from across the country who have been selected as top advisor to the bipartisan majority of the Congress."

The beauty of this hustle is that other confidence men will see how it's worth $1,000 to them to hang that plaque on the wall and impress all the innocents who will think it signifies real influence in Washington. . . .

—*Charles Peters*

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MEMO OF THE MONTH

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1st OPERATIONS BATTALION
UNITED STATES ARMY FIELD STATION, AUGSBURG
APO NEW YORK 09458

3 May 1983

IAEA-OA

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2. Your professional dedication and excellence contributed significantly to the success of this endeavor which not only brightened the day for the children but which also strengthened family ties to our unit. Your enthusiasm and dedication have set an example for all to emulate. I am proud of your performance and challenge you in all future endeavors to meet or exceed the exceptional standards you set and attained during this period.

3. Congratulations on a superb performance and a job well done!

4. A copy of this correspondence will be included in your Official Military Personnel File.

EVERETT R. YOUNT JR.
MAJ, MI
Commanding

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HIGHBROW ROBBERY: The college

by Timothy Noah

Everybody seems to agree these days that college costs too much. Take Elisa Wilson, a fairly typical daughter of the upper middle class (combined family income: $45,000) who left her hometown of Tampa for Bennington College in the fall of 1981. Elisa recently told Edward B. Fiske of *The New York Times* that after a year at Bennington, she took a depressing look at the family books. "My parents didn't have to mortgage the house, but they did sell a car, and they couldn't buy a new washer when the old one broke." Though Elisa was eligible for some financial aid to help offset Bennington's annual bill of $12,000, last fall she transferred to the University of South Florida, where the bill was a more manageable $4,600.

Some might say Elisa is lucky to be going to college at all. Consider the fate of Morgan Leach, another college student interviewed in Fiske's story. Leach had finished three years at St. Augustine College in Raleigh, North Carolina, when tuition rose to more than $4,200 and he had to drop out. A poor black from rural South Carolina, Leach had hoped to use his college degree to get a job as a physical therapist. But after investing thousands of dollars of personal savings and federal loans, Leach is no better off than when he started; the credential he'd hoped for has been yanked out of reach.

Elisa Wilson and Morgan Leach aren't the only ones who've had their ambitions frustrated. More and more Americans who by any other measure would be considered well off are struggling to send their children to college. Who among us isn't a pauper when faced with a fee of $8,000 to attend the average private college or university, and more than $13,000 to attend a Harvard or MIT? Even public colleges, which are heavily subsidized by the states, will cost an average $4,000 next year, and out-of-staters at the University of Michigan and the University of Massachusetts at Amherst will pay as much as $7,000 and $8,000, respectively. No wonder even upper-middle-class families like the Wilsons are reeling from the blow.

The real surprise is that the Benningtons and the St. Augustines can raise tuition as high as they do without pricing themselves out of the market. Back in the seventies, colleges could blame skyrocketing fees on double-digit inflation. Now the inflation rate has plummeted, but next year's tuition increases are projected by *Time* magazine to run up to 12 percent. Beyond next year, "The forecast by academic experts. . . is just as dismal." Fiske writes that at least one Ivy League dean anticipates that within five years his school's price tag will be $25,000 a year. College administrators and editorial writers have begun to issue dire warnings about colleges gradually abandoning the long-cherished goal of equal access to rich and poor, as private colleges become more and more the province of the rich and public colleges educate those among the poor who can find the money to pay them. As Fiske notes darkly, "The possibility of a restructuring of American higher education is. . . quite real."

Given this grim prospect, you would expect outraged mobs marching on the university gates—or at least *some* display of anger about the continuing escalation of tuition. Instead of protest, however, there is a kind of helpless resignation in the air, as we all desperately scurry to pay the confiscatory fees annually levied in the name of higher education.

Why do parents accept this fate with such docility? What would they discover if they rebelled and took a hard look at the fiscal practices of academia? Isn't there a more sensible way to finance higher education?

Let's first look at the acquiescence of parents. Most of us are familiar with that beer commercial in which Joe Jr. claps his mortarboard onto his

Timothy Noah is an editor of The Washington Monthly.

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all it tuition, we call it plunder.

father's head at a joyous graduation party; that probably captures our feelings about college as well as anything. Can you put a price on the flush of pride that a parent feels at such a moment? Of course not. Neither can the parent; he'll pay anything that's asked.

For generations of Americans, a college degree has been the passport to success, promising upward mobility both professionally and socially. These days the passport may need to be stamped with a graduate degree or two before the magic will work, but it remains essential, and thus in the minds of parents worth any sacrifice. Some feel this duty so strongly that they'll forgo having their children take out student loans. Still others will pay the full cost because they fear that requesting financial aid on an application for admission will jeopardize their child's chance of acceptance. They know that few colleges have enough scholarship money available to admit students on a purely "needs-blind" basis; particularly if their child has a marginal high school record, they may guess he or she is more likely to be accepted if they pay full tuition.

The result is that many of us make enormous and largely unexamined sacrifices to pay the tuition bills of our children. Think of all the 40-year-old GS-15s who may secretly yearn to abandon their comfortable sinecures and strike out on their own in jobs they'd truly enjoy, but instead stay put at their desks churning out planning analyses for $55,000 a year because a 12-year-old daughter may someday want to apply to Mount Holyoke. If they didn't make the compromise, they'd feel guilty; as it is, they experience a vague, gnawing resentment directed at no one in particular. How can you blame your children?

The cost of college has a way of making cowards of the best of us. Although we might like to take more risks in our lives, the prospect of not making enough money to send our children to college frightens us into stable, conventional jobs where the possibility of catastrophic failure is as remote as the possibility of remarkable accomplishment. Of course, the safe, comfortable path of the GS-15 has its attractions even for those who don't have children. But for many of us the question of how to provide a good education for our kids is the crucial factor.

Even our political judgment is clouded by the cost of college. Last year's congressional pay raise and elimination of limits on honoraria for senators were inspired largely by a passionate appeal from Senator Jake Garn on behalf of his three college-age and four college-bound children. It's hard to imagine any other financial burden that would have permitted a U.S. senator to sanctimoniously defend increased earnings for himself at a time of deep recession without fear of derision from constituents and the press. Why wasn't Garn denounced? Because too many of us can identify with the problem.

Unfortunately, our reverence of academia prevents this empathy from translating into a clamoring for colleges to lower tuition. This reverence seems especially perverse when you consider that in the field of health care, which is literally a matter of life or death to our society, we have begun to question skyrocketing costs. "Hospital cost containment" may be an elusive goal, but at least the phrase has made its way into our discourse. By contrast, "university cost containment" still waits in the wings. Indeed, as institutions everyone honors, our universities may outrank not only hospitals, but even the church. As Paul Fussell observed in *The New Republic* last fall, "No one puts a sticker in a car window reading, 'Sodality of the Holy Name, Port Huron, Michigan,' or 'First Baptist Church of Elmira.'"

Let's not kid ourselves. While we meet tuition increases with the patience of Job, colleges take advantage of us. Not long ago, for instance, a consultant advised George Washington University, a private institution in Washington, D.C., to

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The academic community's attitude about rising costs is typified by one consultant's advice to a university: "Raising tuition . . . would soon bring pride to the entire university community." Translation: "The more they pay, the better educated they'll feel."

raise tuition. Why? "Raising tuition," the consultant's report explained, "especially above the highest undergraduate level charged in that area, tied secondarily to a major announcement of a program to improve quality at this growing world university, would soon bring pride to the entire university community." Translation: "The more they pay, the better educated they'll feel."

Another good example of how our reverence for colleges raises the tuition bills appeared in a recent article in *The New York Times* reporting that it was a long-standing practice of a number of select Eastern colleges to meet every year and agree to offer roughly the same financial aid to students. "Some people tease us and say it's price fixing," giggled one financial aid officer quoted in the story, "but it's not." Why not? "The basic purpose," she explained, "is to give students and their parents the freedom of choice to go to the school they really want and not to pick because one school offers them more aid than another." That's a nice sentiment, but imagine the same logic being applied to auto manufacturers. Say GM, Ford, and Chrysler got together every year and fixed the prices of next year's models "to give consumers the freedom of choice to buy the car they really want and not to pick because one company offered a lower price than another." Would we still be so tolerant? Or would we say that if the consumer wants the price to be a factor in his decision, that's his own damn business? Of course, we would say the latter. But financial aid officers are free not only to think that anti-competitive behavior is permissible—even honorable—but to voice such sentiments to reporters without fear of criticism. (Indeed, the thrust of the *Times* piece was that to break ranks and offer a student a better financial deal just wasn't cricket.)

College administrators can get away with this sort of behavior because our culture assumes the best people work for colleges and universities; just as we brand the entrepreneur who sweats out 50 years of commerce to donate a new lecture hall to Ohio State a benighted Babbitt, we tend to stereotype people associated with colleges as, well, the best people. And the best people don't inflate or fix prices. If they have to raise tuition, we assume they have a good reason.

Three reasons colleges have often given for rising tuition are crumbling buildings, soaring energy costs, and faculty pay. Physical plant decay is a real concern; upkeep of college buildings is undeniably expensive. But balanced against that is the fact that, unlike other businesses, colleges don't have to pay taxes on their real estate. Energy was the favored excuse in the seventies, but it's not a major factor now, if indeed it ever was. This year's budget for the University of Pennsylvania, for example, shows it accounts for only 4.5 percent of the total. More recently, a plaintive chorus of wails has arisen over the need to raise faculty salaries.

The issue of faculty pay merits a close look. College professors can make what at first appears to be a convincing case that they are underpaid. Salaries now average $23,000 for university professors. But wait a minute. How many other professions allow you to take your summer off—during which time you can put in three or four months of outside work? The rest of us don't get sabbaticals either, or all those holidays and vacations. Consider that full professors at Harvard earn on average $47,000. Holidays and vacations add up to four months a year (assuming three months off in summer; at many other schools, it's more like four) or 33 months (including paid sabbatical) every seven years. That's an average of seven working months a year. A Harvard professor thus *really* earns the equivalent of $80,000 a year. At the University of Maryland at College Park, time off raises the average salary of a full professor to nearly $70,000. And our average

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university professor, earning $23,000 and cursing the ravages of inflation, makes off, by this accounting, with nearly $40,000.

There are other perks too; just give Ken Gálbraith a call at his winter place in Gstaad. According to *Dollars and Scholars*, edited by Robert H. Linnell, more than 80 percent of all faculty members have outside sources of income that average 20 to 30 percent of their base salaries. Some schools—the University of Pennsylvania, for instance—go so far as to set hourly consulting fees as a fixed percentage of university salaries, sternly admonishing absent-minded professors not to "undersell" the university.

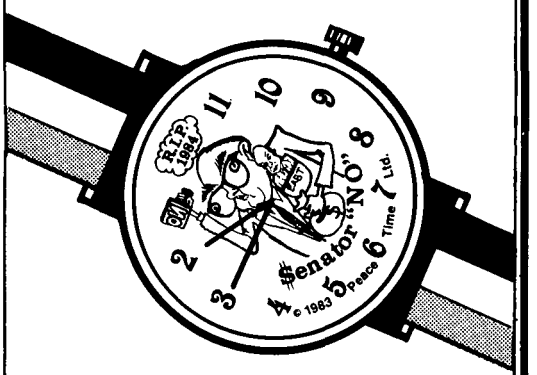
Finally, there are all the little subsidies of academic life. Housing is often subsidized by universities, and sometimes it's even offered for free. Tuition for your children may be free if they attend the university where you teach; even if they go somewhere else, some colleges will help with the tab. A few can also help arrange loans at low—or no—interest. (Ironically, a disproportionate share of these perks go to the wealthiest tenured faculty, who teach the least; junior faculty members at the low end of the pay scale carry the largest teaching loads while they scramble to publish so that they, too, can obtain tenure.)

Stop and think about which of your friends seems to get to Europe nearly every summer. Chances are, it's that ascetic college classmate of yours who decided to become a college professor—the one you've always felt a bit sorry for, because of the financial sacrifice he made while you opted for middle-class comfort. You might also take a walk through the kind of college town where such friends usually live. Chances are you'll find lots of pricey boutiques and trendy little restaurants with hanging ferns and butcher block tables and "bernaise burgers" on the menu. This isn't Allentown.

Yet the idea that professors are underpaid is so much a part of the conventional wisdom that when the president of Northwestern University decided to postpone a faculty increase early in 1982, the faculty called for his resignation. At the time, the average salary for a full professor was a miserly $41,600—or about twice the median income in America.

In spite of all the talk about professors' not making enough money, the fact is that most of the rest of us are in worse shape—and we're paying *their* salaries. Real faculty wages may have fallen during the seventies, but so did lots of others. Meanwhile, in the period between 1952 and 1974, college professors had it *better* than the rest of us; their salaries rose faster than both the consumer

The Watch Is Out On Jesse Helms



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price index and overall earnings for all other workers. To be sure, this real increase fell short of making professors as rich as doctors and lawyers, but the pay really isn't bad for a life of contemplation under Gothic spires and arching boughs. If nothing else, think of those glorious summers! College faculty are familiar with the story of the writer who quit his job working for a news magazine to teach at a small liberal arts college for a quarter of the salary. When his editor asked him to provide one good reason for the switch he said, "I'll give you four: May, June, July, and August." Though probably apocryphal, this bit of folklore captures a special quality of academic life that doesn't exist in other, more remunerative professions. The job is certainly inviting enough to attract long lines of teaching applicants at the annual meetings of the various learned societies, even when there's little or no hope of a significant number of job openings. Yet faculty salaries rose an average of 7.9 percent this year, and real increases are likely next year. At the University of Pennsylvania, for example, there will be an 8.5 percent increase in salary and benefits.

It's time we consumers got wise and flatly told our colleges that such raises should be stopped. But that would merely slow down the rise in tuition costs. Is there any other way to fight the high cost of college? Yes—by addressing the question of productivity.

Professorial work loads have sunk to absurdly low levels as more and more academics have come to consider their primary avocation to be not teaching, but research. Back in 1945, Jacques Barzun could report in his classic *Teacher in America* that most professors taught 15 hours a week. Now, that 15 hours has shrunk to a median of five at our major universities and nine hours overall, according to a 1977 study. The same study reported that 5 percent of all faculty did not teach at all. In the preface to a 1980 reissue of his book, Barzun described this depressing trend as the result of the increasing role of government and private foundations in funding research in the postwar years. Professors whose prestige could draw the most money from these sources came to be treated by colleges as "valuable properties like top baseball players." It's not hard to figure out the result: "In the upward bidding between alma mater and the raiding institution it was not unusual to reach an offer guaranteeing 'no obligation to teach.' "

If we increased the load from five to ten hours a week at the major universities, we would improve productivity by 100 percent. Allowing the standard two hours of preparation per classroom hour, that would still amount to a teaching work week of only 30 hours, leaving plenty of time for research and writing—15 hours more than professors enjoyed back in 1945. At institutions where research and writing are not expected, a teaching load of 12 to 15 hours would be reasonable. This would also bring radical increases in productivity—from 33 to 67 percent. Overall, increasing professorial workloads would make it possible to slash costs everywhere but in the community colleges, where the teaching load already averages 15 hours and costs tend to be relatively modest.

So you see, despite the fact that the majority of university costs go to labor, tuition really can be brought under control. But one thing is certain: the universities won't do the job on their own. Consider Wesleyan University. In the 1960s, Wesleyan suddenly found itself rich, thanks to the timely purchase of 400,000 shares of Xerox stock. Did it lower tuition? Not a bit. Instead, it granted its faculty the most generous sabbatical policy in the United States: one semester off with full pay after just three years of teaching. In the seventies, when Wesleyan's fiscal fortunes took a turn for the worse, did it cut back on the overly generous sabbatical policy? Don't be silly. It raised tuition. As one Wesleyan administrator justified it to me, "The time we give them is an investment in what happens here educationally." That's the hard-nosed world of university finance for you.

In 1945, professors taught 15 hours a week. Now that 15 hours has shrunk to five at our major universities. Five percent of the nation's faculty don't teach at all.

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☆☆☆A☆☆☆ NEOLIBERAL CONFERENCE

For almost 15 years ***The Washington Monthly*** has been challenging the doctrines of both the right and the left, putting together a view of the world that we find fresher, more pragmatic, but also more idealistic. During that same period, others have been gravitating toward a similar view, which has come to be called "neoliberalism."

We think it's time to assemble the faithful as well as the skeptical to share ideas, to argue, and to get to know each other. Toward that end, *The Washington Monthly* will hold a conference the weekend of October 22 to discuss the nature of neoliberalism and its future. The subjects covered will include economic growth, entitlement programs, national security, education, and a number of matters conventional liberals tend to avoid—patriotism, entrepreneurship, religion, credentialism, patronage and democratic accountability, and how to pull the plug on the politics of selfishness.

Among those already invited to participate are Lester Thurow, Dale Bumpers, James Fallows, Timothy Wirth, Robert Reich, Paul Tsongas, Michael Kinsley, Bruce Babbitt, Gary Hart, Nicholas Lemann, Alan Baron, Ernest Hollings, Amatai Etzioni, Reubin Askew, Ken Auletta, and Bill Bradley. Charles Peters, editor of *The Washington Monthly,* will chair the conference. Everyone—Democrat, Republican, Libertarian, or just plain undecided—who is interested in neoliberalism and its possibilities is welcome.

The conference will be held at the Sheraton International Conference Center in Reston, Virginia, near Dulles Airport and a short drive from Washington, D.C. It will begin with a reception and dinner on Friday, October 21, followed by a full day of meetings on Saturday the 22nd, and a final breakfast on Sunday the 23rd. The cost for both nights is $250; for one night, $150; for Saturday only, $50.

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If the universities won't change on their own, where is the pressure for reform going to come from? Certainly not from guilt-ridden parents, who would never dream of being cheapskates when it comes to Joe Jr.'s education. But what about Joe Jr.? What if Joe Jr. had to pay those tuition bills himself? Wouldn't he begin to think about getting his money's worth out of the experience? Yes, he might, you concede, but he really can't afford it. There aren't enough scholarships to go around. Simple arithmetic, involving the number of hours in the week, the minimum wage, and the total fees charged by the school, makes clear that, for the most part, only supermen can work their way through college these days. Nor does the federal Guaranteed Student Loan program offer much help. The yearly maximum loan is $2,500, which is often too little, and the debt usually has to be paid back within ten years, which is too soon. Unable or unwilling to meet payments, many Joe Jr.'s have defaulted, leaving the taxpayers with the burden of repayment.

Fortunately, there is a solution to the problem: long-term loans (30 years or more) made by banks to students, guaranteed by the government but collectable by the government in the event of default through an extra assessment on the former student's income tax. This would not have to cost the taxpayers a dime. Banks, not the government, would make the loans. Today, according to *The Wall Street Journal*, the banks have $347.6 billion—more than four times the total cost of higher education this year—to invest in new loans, just from the money market accounts that started six months ago. Default would be much less likely because the payments would be spread out over 30 years or more and thus would be made during the graduates' best earning years—indeed, they could start out low and rise during their richer years—instead of being concentrated in the first ten years after graduation, when earnings would ordinarily be the lowest. And even if a student were to default, the government would not be stuck, because it could collect through income tax. An additional charge could be added to the loan to cover students who die before the loan is paid or who never earn enough money to repay the loan through their taxes.

Think of the effect this system could have on all those fretful parents who now must mortgage their idealism to put their children through college. Remember that GS-15 whose daughter wants to go to Mount Holyoke? He's just reaching the age—say, 35, 40—where the modest challenges of his job have begun to wear thin. For a good three or four years he's been feeling competent, but not much more than that. He's ready for a change. If he were ten years younger—or, more to the point, if his 15-year-old daughter were ten years younger—he just might have opened that small business he's always dreamed of. But that's out of the question now; in three years he'll have to make the first tuition payment.

Under a "student-pays" system, that GS-15 wouldn't have to regret the time he put in at a job that had become vaguely unfulfilling; if he grew bored, it would never be too late to try something new. Multiply that one GS-15 by the thousands, and you can begin to see the beneficial effect a student-pays system can have on the economy as a whole. Other cultural barriers to entrepreneurship would remain, of course—security will never cease to entice most of us—but even for the naturally timid, one of life's most gnawing anxieties would disappear.

For students, the effect might be to instill a greater sense of responsibility for getting something out of their college education. Think about why 18-year-olds go to college nowadays. How many really long to plunge into Plato's *Republic* or Einstein's Theory of Relativity? Does the prospect of attending lectures on Herman Melville's "Clarel" really send shivers down their spines? Or are they going pretty much because their parents expect them to? I don't mean to be too cynical; lots of people stumble upon the joys of learning *after* they arrive at college. But too many don't, either because they came years before they were ready or, in some cases, because they never should have gone in the first place. "Go now," their parents told them when they graduated from high school, "and we'll pay."

The result? A tradition of taking college, well, not very seriously, immortalized in the annals of college humor. The caricature, as presented in familiar movies such as the Marx Brothers' *Horsefeathers* and National Lampoon's *Animal House*, is easy to summon up: the carefree young student guzzling beer and jitterbugging (gatoring) to Benny Goodman (Chuck Berry) all night long. The next morning, weary from this debauchery, he sleeps through Civilization 101 (Behavioral Psych 101). Our hero isn't quite sure why he came here, but he figures that as long as he's here, he should have a good time; after all, Mom and Dad are paying for it. Like all caricatures, this one distorts, but it also contains an essential truth: for many college students, learning comes a distant second.

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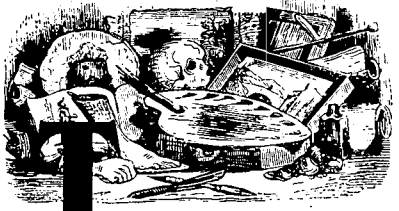

This attitude has been more or less a constant among college students, from Groucho's day right on down to John Belushi's—except for one period in recent history. The exception was the years after World War II. Ask any of the older professors about the brightest graduating classes and they're likely to mention 1947, 1948, 1949. Not that there weren't a few goof-offs to uphold the tradition of dissipation; but, on the whole, this college generation seemed more serious. The reason was the GI Bill, which for the first time placed the decision of whether to go to college not in the hands of the parents, but in the hands of the former GIs. They didn't go to college because their parents would pay; they went because the government gave them the money to pay for it themselves. Given this precious bounty, a veteran was made to feel that the purpose of going to college was to please not his parents but himself. He would pore over the college catalogs a bit more carefully, and when he'd decided where to go, he made an effort to take the right courses. He didn't want to waste the opportunity the government had given him.

If the GI Bill made veterans more serious about college, it's reasonable to expect that today's students could become even more serious under a student-pays system, where the money they spent wasn't a government subsidy, but their own. In past generations, students who worked their way through college seemed particularly resistant to the Animal House syndrome. Recalling his various college jobs—janitor, sales clerk, hash-house waiter—William O. Douglas wrote with pride in his memoir, *Go East, Young Man*, that in the days before government loans and need-based scholarships, "the circumstances which led young people to support themselves and pay their own way [were] better, both for the schools and for the long-term good of the young people." The main problem with this approach, as Douglas vividly recounted, was that he "went through college in a dead run." Giving the student 30 years to pay offers the best hope for the best of both worlds—freedom from being overworked, but also ultimate responsibility.

The final benefit of a student-pays system would be its potential to bring the soaring cost of college under control. Thirty-year financial commitments are not to be taken lightly; colleges that were obviously wasteful would have a harder time attracting students. If College A, by getting a reasonable amount of work out of its faculty, is able to charge much less than College B, and you know the difference will affect your income tax returns for the rest of your working life, you're likely to be more skeptical about what College B can offer that College A can't. Making students pay can't eliminate the snob appeal of a Harvard or a Yale, but it could help put that snob appeal in perspective. At colleges of less renown, who knows? Consumerism might actually triumph. Meanwhile, once a student actually made his choice, it's more likely that he would keep an eye peeled for obviously wasteful practices and holler when he saw them; student newspapers could become a more potent weapon, not only by questioning professors who are paid more as they teach less, but also by finding out what all those administrators do all day.

On a deeper level, this system might even help bring back teaching as the primary concern of our nation's professors. Many of the professors who have fallen victim to the career pressures that draw them away from students originally went into education because they liked teaching. They should welcome the opportunity to return to it. Consider their secondary school counterparts, who are often miserable following a career path that makes them feel like failures if they don't ultimately give up teaching for administration—a job they may perform far more poorly than that of teacher. Similarly, many college professors may *prefer* an extra five hours a week discussing art history with their students to five hours of footnoting their latest monograph on Bantu pottery. Even those who wouldn't might contribute their time less grudgingly under a system that gave them more eager students.

A student-pays system is a radical solution to the problems of higher education. But we've listened to all the sensible-sounding proposals, and where does it leave us? Parents are plagued with guilt because they can't afford to pay tuition. Students drift through college with little sense of why they came. And the first loyalty of teachers is to the academic journals. Market economics remains a stranger to our universities; instead, we're governed by our awe of the institutions.

The term "market economics" may make it sound as if some type of philistine commercialism should be introduced to our college campuses. But what I'm really advocating is elimination of senseless waste, for reasons that are anything but crass: the purpose of changing the way we pay for higher education is ultimately to make students take learning more seriously and to make teachers take teaching more seriously, so both can more fully realize the best within themselves. ■

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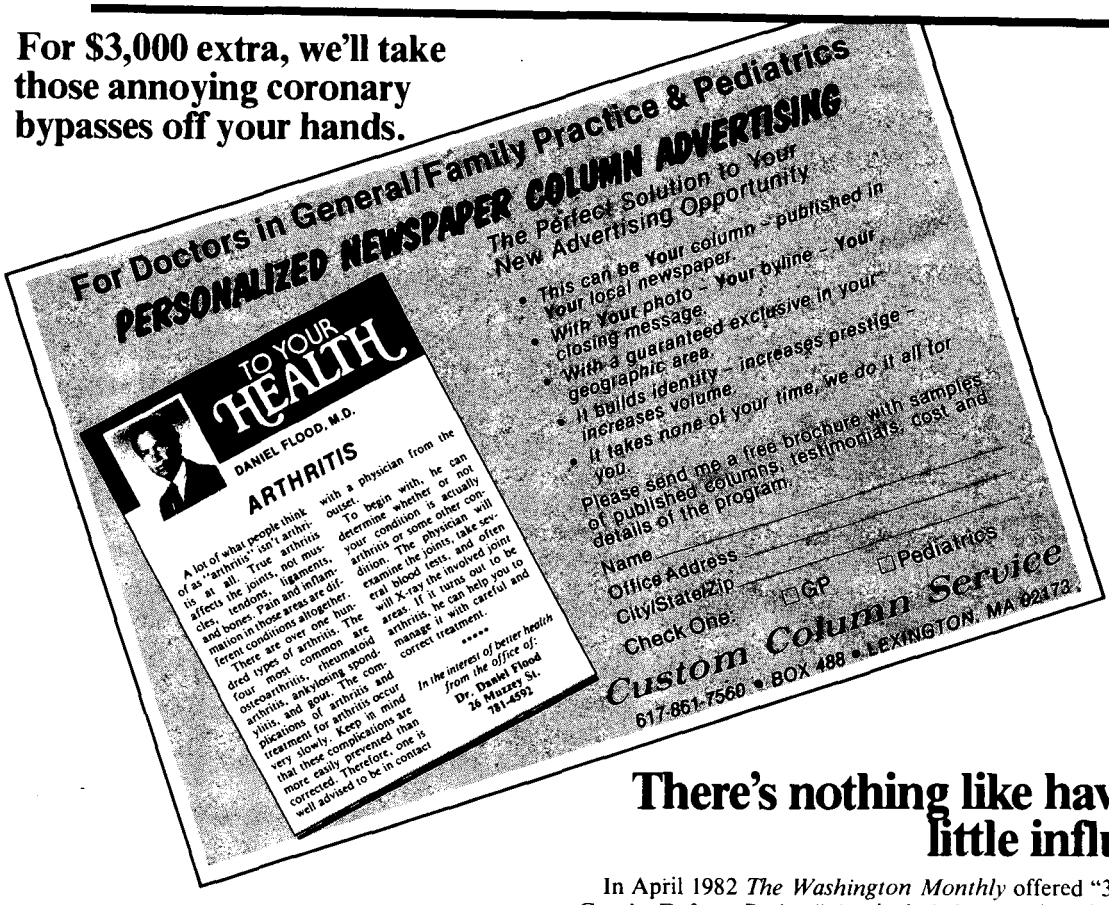

There's nothing like having a little influence

In April 1982 *The Washington Monthly* offered "35 Ways to Cut the Defense Budget" that included suggestions for replacing many of the military's weapons with more effective alternatives or eliminating them entirely.

Listed below is the money the House Armed Services Committee has authorized in fiscal 1984 for weapons that were on our list:

B-1 Bomber: $3.8 billion
MX Missile: $2.6 billion
F-14 Fighter: $2.1 billion
F-15 Fighter: $1.1 billion
F-18 Fighter: $2.1 billion
AH-64 Helicopter: $2.1 billion
C-5A Cargo Transport: $1.4 billion
AWACS Surveillance Plane: $76 million
KC-10 Cargo Transport: $334 million
M-1 Tank: $1.4 billion
Bradley Fighting Vehicle: $799 million
DIVAD Gun: $541 million
Trident Submarine: $1.8 billion
SSN-668 Attack Submarine: $1.7 billion
AEGIS Cruiser: $3.4 billion
Phoenix Missiles: $320 million
Sparrow Missiles: $337 million
Copperhead Cannon Shell: $150 million
Ballistic Missile Defense System: $409 million
HARM Air-to-Ground Missile: $185.7 million

Of course, these are just our preliminary findings

The following headline recently appeared on page one of *USA Today*: "MEN, WOMEN: We're still different."

Unless they aren't, in which case they won't be

The local Transportation Commission on Unmet Transit Needs for Mariposa County, California, recently concluded, "No unmet needs exist and . . . current unmet needs that are being met will continue to be met."

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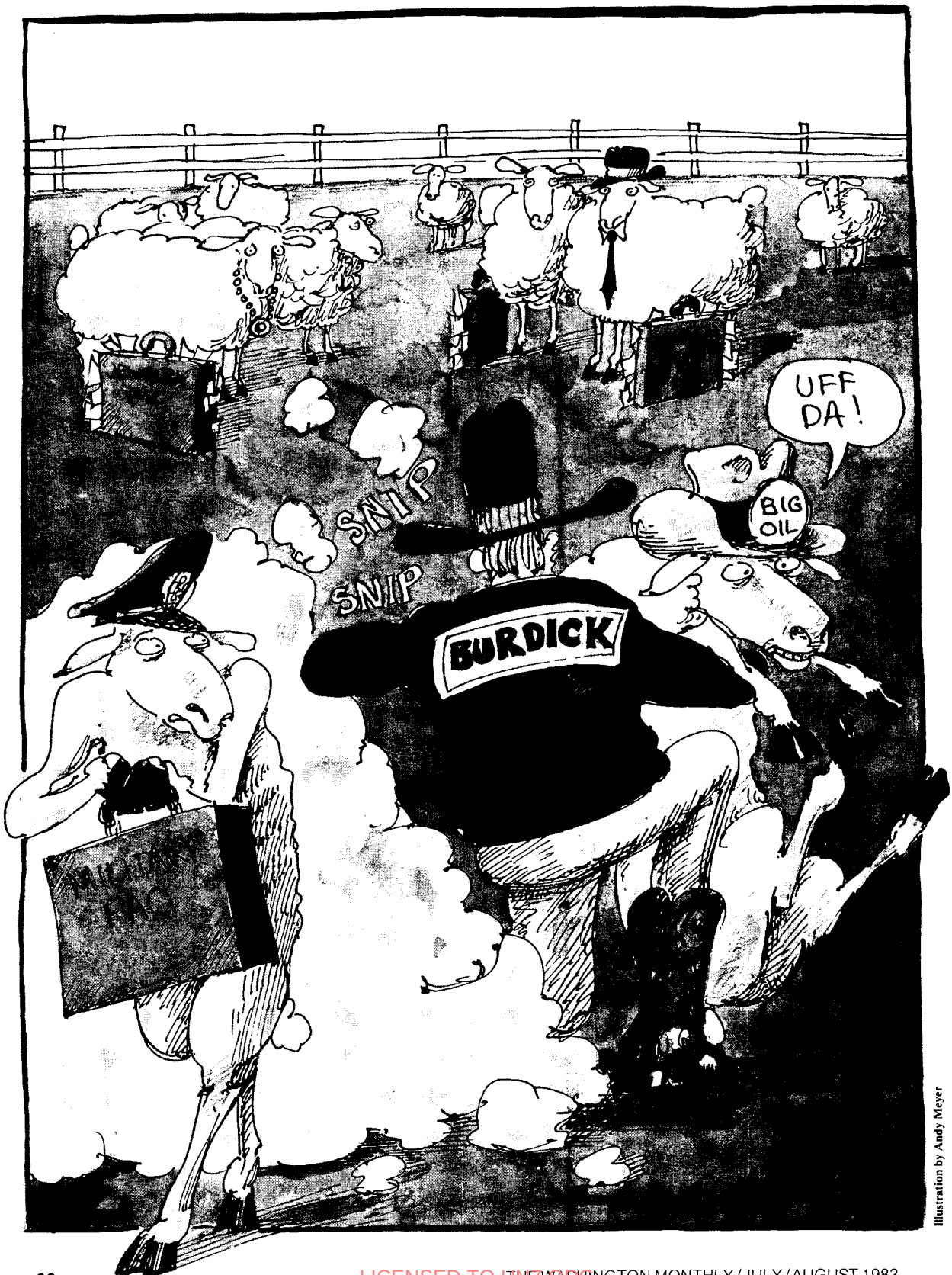

Illustration by Andy Meyer

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How To Fleece The PACs

BY TOM HAMBURGER

In the annals of political history, 1980 will be remembered as the year of the political action committee. An unprecedented $14.5 million in PAC money went into the campaign kitties of congressional challengers, with impressive results: in the Senate, one single PAC, the National Conservative Political Action Committee, was credited with picking off such liberal eminences as George McGovern, Frank Church, John Culver, and Birch Bayh. This onslaught "scared the daylights out of incumbents who survived," as Elizabeth Drew puts it in her forthcoming book, *Politics and Money: The New Road to Corruption.*

Indeed, to listen to congressmen publicly decrying the high cost of campaigning and the clout of special interests, you get the impression these public servants are in imminent danger of being thrown into an unemployment line. Yet where does most PAC money go? Last year, 66 percent—or $55 million, according to the latest figures—went to incumbents. Most of those were Democrats.

Oh, sure, the 1980 election was a little rough; with that $14.5 million in the bank and a bigger share of the pie than ever before, challengers were gaining on incumbents in the race for PAC money. But politicians are remarkably adaptable creatures. Instead of panicking at the new threat to their safe domain on Capitol Hill, the incumbents got smarter. They were assisted in this effort by a well-known fact of organizational life: powerful groups often seek safety rather than challenge the status quo. PACs are no exception to this rule. So while politicians still denounce those money-laden cadres in public, in private the talk these days on Capitol Hill has turned to boastful yarns about how to fleece the PACs.

One story currently making the rounds is that of a Democratic senator from North Dakota named Quentin Burdick. That's B-U-R-D-I-C-K. New fella, you ask? Actually, Burdick's been quietly serving in the Senate for 23 years. Keeps to himself, mostly. Rarely speaks on the floor. Not

Tom Hamburger is a Washington, D.C., writer.

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what you'd call a man with a taste for the limelight. The primary legislative skill Burdick has demonstrated during his quarter-century in the Senate is an uncanny ability to change committee assignments before he achieves any real power. In 1977, for example, Burdick was destined to become chairman of the Post Office and Civil Service Committee, but just as he prepared to assume the post, the committee was abolished. Now he sits on the Appropriations and Environment and Public Works committees, but is not ranking on either.

A rumpled, unassuming man, Quentin Burdick has quietly racked up a pro-labor, liberal record, tempered by votes against the Panama Canal treaties and every foreign aid bill. At 75 he still taps out personal letters to constituents on a beat-up manual typewriter he keeps at his desk. These letters always bear the words "self-typed" at the bottom. Near his typewriter is a small sign that reads, "Uff Da," which is a rough Norwegian equivalent of "Oy Vey."

After that fateful 1980 election, Burdick, like many other liberal incumbents in Congress, looked like a dead duck. The country had just gone overwhelmingly for Reagan. The Senate had gone Republican, and Democrats in the House had lost 33 seats. Burdick was worse off than most because in North Dakota Republicans had won veto-proof majorities in both houses of the legislature and taken nearly every statewide office.

It was too good an opportunity for the right to pass up. The dreaded National Conservative Political Action Committee (NCPAC) and a handful of other right-wing groups targeted Burdick for defeat. For NCPAC Burdick looked like child's play; it pledged $200,000 to retire the senior senator from North Dakota.

Early polls showed Burdick with plenty of name recognition and voter approval, but this support, according to Jill Buckley, Burdick's political consultant, "was soft," much the same as Gaylord Nelson's had been the year before his defeat. Plenty of Republicans were lined up to take Burdick on; one of them was attorney Gene Knorr, a North Dakota native who worked in Washington for Charls Walker and Associates, America's premier corporate-tax lobbying firm. Knorr, who eventually received the Republican nomination, had an impressive network of political allies to draw upon (he'd worked on a Reagan tax policy task force) plus considerable experience in political campaigning. Against this, Burdick had $50,000 in his campaign treasury, a lackluster record, and no idea how to raise funds to run a modern, high-tech campaign. Uff Da.

Enter David Strauss, a gangling, talkative Democratic party activist from North Dakota. Strauss was skilled in everything Burdick was not: fund raising, computerized mailing, and the sundry little things you have to know to get a candidate elected in the era of the PAC. Still, the 33-year-old Strauss had his work cut out for him. Burdick had never spent more than $100,000 on a campaign; he wrote and produced his own television spots and ran them only late at night, when the rates are the cheapest and the airwaves are filled with advertisements for motor homes and kitchen utensils ("It slices! It dices!"). With Buckley's help, Strauss persuaded Burdick that he'd have to change if he wanted to remain in the Senate. Burdick signed Strauss to run the campaign.

In March 1981 Quentin Burdick, a man who proudly quotes a magazine poll naming him one of Washington's worst-dressed lawmakers, went slick. He hired the firm of Tubby Harrison from Boston to conduct sophisticated polling and the firm of Rothstein-Buckley in Washington to develop his media strategy. "Time buyers" (experts who strategically buy TV time) and "voter contact" experts (people who get out the vote) also came on board. To pay for all this, Strauss began a list of potential contributors in a large black ledger. The list included lobbyists who came by Burdick's office, contributors to other North Dakota candidates, every business and industry witness who had appeared before Burdick's committees, and hundreds of political action committees.

Political action committees? But weren't they the enemy, the very reason Quentin Burdick, at the age of 74, was struggling to maintain his Senate seat? Well, yes. But Strauss was clever enough to see that PACs were prone to timid behavior that undercut their credibility as political bullies.

To be sure, political action committees—very few, actually—employ an ideological rating scale to decide where their money should go. Business-Industry PAC, for example, used its own rating system to determine the fiscal responsibility of potential recipients. Candidates scoring 4 percent, as Burdick did in 1982, were unlikely to receive funds. Most PACs, however, were paying less attention to philosophy. Some regularly con-

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tributed to members of certain congressional committees. Some focused on candidates in close races. But the most common criterion, particularly for corporate and industry PACs, was what Strauss calls "winnability."

PACs hunger for winnability for two reasons. First, a PAC's reputation as a political force depends heavily on its ability to show results. NCPAC is probably the best example of this. If it weren't for NCPAC's success in helping to defeat several prominent liberal senators in 1980, we'd all probably look upon this organization as obscure and vaguely crackpot. (Secular humanism? Get hip.) But because NCPAC managed to show that it can wield clout, it is taken seriously, and its leader, Terry Dolan, is considered an important political figure. The problem with the PACs' need to demonstrate their ability to produce winning candidates is that they can do it more easily by backing clear winners than by challenging a George McGovern or a John Culver.

The second reason PACs emphasize winnability should be fairly obvious: if you're in business to influence the political process, you don't want to waste money on candidates who won't become part of it. A contribution to a winner is what PAC managers like to call "hundred-percent money"—100 percent of the investment goes right where it's supposed to go, into the pocket of a practicing legislator. The quest for "hundred-percent money" often leads PACs to make the safest contribution possible: a post-election donation to help pay off the campaign debt of a successful candidate. (See sidebar, page 30.)

Who are the "winnable" candidates? Anybody who has read a newspaper on election day can answer that: incumbents. Nothing in politics is certain, but as advantages go, already occupying the political office in question is undoubtedly the best; 74 percent of incumbent senators running for reelection win. Quentin Burdick's personal assets as a candidate may have been modest, but his incumbency was a political asset that, exploited properly, could prove far more valuable than charisma or ambition. He had, as a member of Congress, the franking privilege to provide free mailings, and the services of a Senate staff. And he had proven what none of his challengers had—that he could get himself elected to the Senate. This was not lost on the PACs. And the fact that this was not lost on the PACs was not lost on Strauss.

Strauss studied the spending patterns of different PACs and developed a carefully calculated pitch for each, with the unifying theme of Burdick's winnability. At first, the PACs were reluctant to help out. Some said it was too early to give. Liberal PACs voiced concern that Burdick might not get the Democratic nomination, citing rumors that North Dakota's liberal congressman, Byron Dorgan, might run. Strauss carefully wrote down all the responses in his black ledger. When a newspaper article or a poll showed Burdick looking politically strong, he would send it off to the skeptics. Unfortunately, most of the early polling told the Burdick team that their man was vulnerable. This was not the sort of news that made the PACs reach into their pockets.

To brighten up the picture, Strauss concocted a rosy newsletter called "The Burdick Report." Under the headline, "Poll Illustrates Burdick's Strength," Strauss noted in early 1982 that more than 34 percent of North Dakota's population had met the senator. (She's a small state.) He also cited a poll showing Burdick leading 64 to 26 against a potential challenger, Earl Strinden. The report did not mention Burdick's performance against the man who was to get the nomination, Gene Knorr; in the world according to The Burdick Report, no glass was ever half empty. As for the trepidation of the liberal PACs, this was eased when a newspaper in North Dakota reported that Dorgan would not run against Burdick. Strauss made sure the clipping was mailed to all the appropriate PAC managers, with a solicitation, of course.

All Strauss's pitches stressed an urgent need for money; even early in 1981, with the election nearly two years away, his letters said, "We are $50,000 short of our goal and need your help." After a few weeks of messages like these, Strauss organized Burdick's first meeting with potential contributors to discuss the upcoming campaign. It was an inauspicious start. While Strauss sat cringing, Burdick drifted into a nostalgic reverie about his first campaign for the Senate: "I was the whole works. I tacked up my own posters. . . and spent only $2,500." This was the close equivalent of John Hinckley telling the jury he felt perfectly sane. The political education of Quentin Burdick had a long way to go.

He got a good dose of learning at his next stop—the 116 Club, Capitol Hill's best-known private club. On March 25, 1981, a coterie of Washington

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lobbyists gathered there to pay tribute to the little-known senator from North Dakota. What brought them there? The reception's hosts—Senators Byrd, Cranston, Inouye, Moynihan, and Randolph.

Of all the weapons in the incumbency arsenal, this is the most potent: the congressional buddy system. It was easy for corporate PAC executives to turn down Quentin Burdick, but how could they turn down Robert Byrd, the Senate minority leader? To further increase the draw at subsequent celebrity receptions, Strauss added a postscript to invitations reminding lobbyists that "our photographer will be at the reception to capture you on this occasion with our special guests Senator Johnston and Senator Bradley." A photograph with Quentin Burdick may not have been worth the trip, but who could resist the souvenir from Dollar Bill? After paying the photographer, Burdick still netted more than $50,000.

The buddy system also enabled Burdick to approach a group that ordinarily wouldn't have touched him with a ten-foot pole: the oil interests. In his distinguished Senate career, Burdick had opposed the Alaska gas pipeline and favored the tax on windfall oil profits. How would he convince the petroleum giants he was really their friend? By calling on another old colleague, Russell Long, senior senator from oil-rich Louisiana and ranking member of the Senate Finance Committee. A letter over Long's signature requesting support for Burdick's campaign went to nearly every oil and energy PAC in the country. "They gave money," one oil company PAC manager explains, "because of a sense that Long was keeping score."

But Strauss's most ingenious stunt was arranging for Burdick to win the "Mr. Energy 1982 Award." Never heard of this accolade? That's because Strauss invented it. A plaque was bought and engraved with Burdick's name, then solemnly

AFTER THE THRILL IS GONE

Political action committees employ a number of strategies to hedge their bets—favoring incumbents, donating to both sides, switching from one candidate to another when the polls flip-flop in mid-race. But the most infallible trick is to wait to fork over the money until the workings of chance have finished and one candidate or another has actually won. Why leave your man's "winnability" in doubt?

True, the Federal Election Commission frowns on contributions that a senator-elect has no apparent use for. But post-election giving is considered perfectly kosher if a candidate has a debt to retire. Consequently, candidates who are comfortably ahead in the polls have no compunction about overspending at the end of the race. It's like taking out a bank loan, with lots of collateral.

For victors, getting out of debt is relatively easy; everyone loves a winner. After he was elected in 1980, Senator Alphonse D'Amato of New York raised $585,394 to retire his campaign debt. Representative John McCain of Arizona raised about $30,000 to help retire his debt at a fund-raiser last April; $156,000 of that debt was owed to McCain himself. But don't feel too sorry for him: he charged himself 12 percent interest through 1982, which *The Wall Street Journal* reports accrued to $9,126.96.

As post-election fund-raisers go, McCain's effort was hardly among the most lucrative; Senator Chic Hecht of Nevada raised $150,000 at a party at Trader Vic's in Washington, D.C., this past February. That was even more than what he had brought in from his post-election party featuring Wayne Newton in Las Vegas, the city where fortunes are made and lost in an hour. The National Association of Home Builders brought two $5,000 checks to the Washington party: one was the maximum allowable for a primary campaign and the other was the maximum for a general election. The Home Builders hadn't contributed a cent to either candidate during the campaign, but, as the association's PAC manager put it, "We are sensitive to members with debts to retire."

Overall, the Home Builders contributed $21,179 to victorious senators in the last month of 1982, according to the most recent records on file at the FEC. The American Medical Association, which has been lobbying heavily against regulation by the Federal Trade Commission, contributed an even more impressive $67,520 in the same period. Expect their generosity to increase in the coming months. Looking back to the 1980 elections, the Home Builders contributed $46,600, or 9 percent of the money they spent on the 1980 Senate races, in the period between election day 1980 and June 1, 1981. The AMA contributed $188,375, or 12.7 percent.

Post-election giving makes PACs happy because it's "one-hundred-percent money"; it makes candidates happy because it helps retire debt and perhaps put money in the bank for the next election. The only people who lose out are the losers. Take Gene Knorr, the defeated challenger to Quentin Burdick's Senate seat. He has a $70,000 debt. "The last six months have been the most difficult I have ever faced," he says. He's managed to raise $10,000 to $15,000 from individual contributors but hasn't received a dime from the PACs.

—Tom Hamburger and David R. Walker

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presented by some friendly North Dakota utility and coal executives (at Strauss's behest) during a well-publicized dinner. Obvious jokes about the irony of granting the award to the Senate's most somnolent member were discreetly avoided, as were inquiries as to what Burdick had ever done to deserve recognition from a sector that had traditionally regarded him as, well, negligible.

Strauss was having so much fun at this new game that he didn't want to stop. With Long as host, he raised another $50,000 at a party at a Capitol Hill townhouse in February 1982. At a New Orleans Petroleum Club lunch in March sponsored by Long and Senator Bennett Johnston of Louisiana, Burdick raised an additional $30,000. Then there were oil industry lunches in Dallas and Houston (worth $30,000), jewelry dealers' dinners in New York ($10,000), gatherings of lawyers in Minneapolis ($3,000), and professional sporting events at the Capitol Center in Landover, Maryland ($40,000).

Sporting events? That's right. Relaxing one evening with his ledger, Strauss recalled that a potential contributor was a Boston Celtics fan. A new fund-raising idea was born. No matter that Burdick had never been to a pro basketball game; Strauss obtained a "skysuite" at the Capitol Center and sent out invitations for $250 a head.

An hour before the Celtics-Bullets game, Strauss drove the senator to the arena for a basketball beginner's course. Strauss pointed out the foul line, explained the three-second violation, and reviewed the teams' rosters. The contributors arrived and everyone settled in to watch the game. Burdick found that he liked basketball. And Strauss found that he had hauled in $20,000.

Strauss was on a roll. What other special interests could he plunder? Looking over his ever-present black ledgers in the middle of 1982, he realized, with some indignation, that the defense industry PACs, with all their money, had barely contributed a dime to Burdick. Not that there was any reason they should; Burdick sits on no defense-related committees and tends to vote against big increases in military spending. Still, it just didn't seem right. So Strauss put in a call to Senator Daniel Inouye, who sits on the Appropriations Defense and Military Construction subcommittees. Inouye cordially arranged a luncheon with defense contractors on June 24 that raised $10,000 for Burdick. The buddy system had struck again.

All PACked up

And what of Gene Knorr, the fearsome challenger who in early 1981 thought himself destined to ride into office on a wave of Republican sentiment and NCPAC money? The best he could do as the tide of PAC contributions rose to Burdick's ears was accuse the senator of receiving money from "out-of-state labor unions." In fact, it was the very corporate and business PACs who were expected to flock to Knorr that provided most of Burdick's PAC money. By the end of March 1982, Knorr had raised just $70,000; Burdick had raised $448,000. The disparity greatly enhanced Burdick's "winnability quotient" (if you will), and helped him double that amount within four months.

The logic behind these contributions was a little convoluted. According to one corporate PAC manager, Knorr was figured to favor business 90 percent of the time and Burdick 50 percent of the time, so the PAC contributed to Burdick. This makes perfect sense once you realize that most PACs are like timid football coaches: they'll take the field goal to tie the score rather than try for the touchdown. As Knorr now puts it, with some bitterness, "A candidate can be against everything the PACs believe in, but they'll support him because he's a safe bet."

When election day came, not surprisingly, Burdick swamped Knorr. By then, the senator had raised $1 million, half of it from PACs. That may not sound like a lot of money; in neighboring Minnesota, millionaire Mark Dayton spent a record $7 million on his unsuccessful bid for the Senate. But in old-fashioned North Dakota, $1 million is twice the state's previous campaign spending record, set by Senator Mark Andrews. Per capita it is the equivalent of spending $30 million in New York state.

What's the moral of our tale? Anything the big-money challengers can do, the incumbents can likely do better. In North Dakota, as in many other places, the net result of the infusion of PAC money has been to reinforce the natural advantage the Quentin Burdicks have always had: if pushed, they will simply learn a few new fund-raising tricks. Strauss's story can't help but inspire others to even more dazzling feats of imagination in concocting fund-raising schemes. As 1984 approaches, stationery stores on Capitol Hill can expect a run on black ledgers. ■

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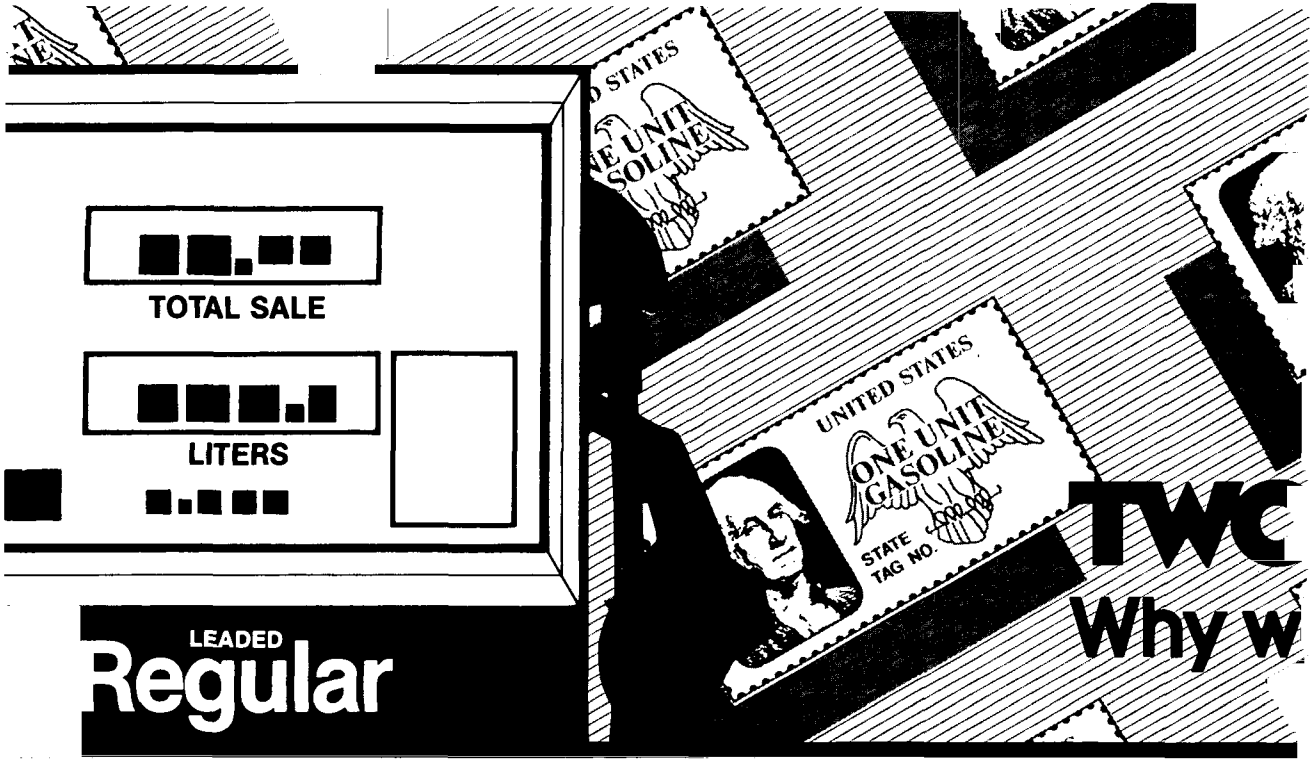

On May 17 Treasury Secretary Donald Regan called in several reporters to issue a solemn warning about the first, fragile signs of economic recovery. "We're not out of the woods yet," he told them, noting that a "second wave of financial crises" still loomed on the horizon. And what could trigger these crises, which would consist primarily of massive defaults by foreign debtors and the failure of many U.S. banks? "A major softening of oil prices," Regan replied. An anonymous Treasury official followed up on Regan's point by telling *The Washington Post* that price cutting was already "rife" among oil producers; if oil fell from its current price of $29 a barrel to as low as $26, that should be viewed as a "danger point."

When you consider the havoc exorbitantly high oil prices have already caused, the thought that Regan apparently spends his day haunted by the spectre of 50-cents-a-gallon gasoline seems even more baffling. The quadrupling of crude oil prices to more than $10 a barrel almost ten years ago plunged the world into what was, until then, the worst recession since the 1930s. We were just picking ourselves off the canvas when the Shah's fall and the Iran-Iraq war provided a pretext for another doubling of oil prices. By 1980 oil was selling for $34 a barrel, inflation in the U.S. was running at 18 percent, and unemployment was on its way to 10.8 percent. Meanwhile, OPEC's legacy had helped defeat two U.S. presidents. Ford was undone by the "misery index" of unemployment and inflation concocted by Jimmy Carter, who in turn was devastated by Reagan's piquant, "How many of you are better off than you were four years ago?" line.

Given this grim history, Regan's comments immediately bring some questions to mind. Had the secretary just finished lunch with Exxon's chief lobbyist? Had the Saudis secretly recruited him as a double agent during his days at Merrill Lynch, when he was busy helping them invest all their money? Had he perhaps misread the instructions on his daily medication?

Would that it were so simple. The real tragedy of OPEC's rise is that there's too much truth to Regan's concerns. OPEC, after engineering the greatest transfer of wealth in human history, shrewdly deposited its booty in Western banks, who went to work overtime shoveling it out to the developing world. Bank executives mastered the intricacies of international air schedules to trek to such financial centers as Ouagadougou, suddenly convinced that Upper Volta was a pretty good credit risk after all. But far more foolhardy was lending so much money to countries who already had oil—Venezuela, Mexico, Libya, Indonesia. The loans looked secure, and the banks could expect healthy profits—as long as the price of oil, and the volume sold, stayed high. Now, with oil consumption dropping, a precipitous fall in prices wouldn't just hurt OPEC—it might cause the collapse of the international banking system.

Phil Keisling is an editor of The Washington Monthly.

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RECESSIONS LATER: We should have rationed gas. By Pi[illegible]sling

Illustration by Marcia Scott

Over a barrel

While we don't have to act as helplessly as Regan and his banking allies would like (more on this later), we certainly can't be as tough on OPEC as we should be. Why? Because a look back over a decade of U.S. energy policy makes clear that our "moral equivalent of war" has been the strategic equivalent of General Custer's deciding that the Little Big Horn River was a pretty good place to fight some Indians.

The fundamental approach of our energy policy since 1973 has been to try to reduce demand for energy by letting its price rise, either through acquiescing to OPEC hikes or slapping tariffs on imported oil and taxes on gasoline. So what's happened as a result of the subsequent ten-fold increase in crude oil prices? U.S. consumption has fallen slightly from 17.3 million barrels a day in 1973 to 15.2 million barrels a day in 1982. Some of this is attributable to more fuel-efficient cars and conservation—but the bulk of the drop can be traced to the shuttered factories and lower industrial production caused by the recession.

Along with higher prices came the call for "energy independence," sounded by everyone from Mobil's ad writers to the Sierra Club. And what has the pursuit of this ostensibly worthy goal meant in practice? Billions in government subsidies for synthetic fuels, breeder reactors, and even solar energy, which cost the equivalent of $30, $50, even $100 a barrel. It's resource economics turned on its head; rather than figuring out ways to get the OPEC nations (many of which can produce oil for 50 cents a barrel) to lower their prices, we're buying some of the most expensive energy around.

Throughout the past decade we've failed to do the one thing that might have saved us—not to mention the rest of the world—from much of the grief OPEC has caused. It was something that had worked before when we needed to reduce energy consumption drastically. It was something that opinion polls consistently showed Americans preferred to higher energy prices. It was something that even Saudi Arabia's Sheik Yamani, in moments of candor, conceded was the best weapon available to the West.

We should have rationed gas.

"I've never felt anything stronger—if we'd rationed gas, we could have cut our daily consumption by two, two-and-a-half barrels a day, saved $14 billion a year in oil costs, and probably broken OPEC." The speaker is Arkansas Senator Dale Bumpers. During the 1970s, Bumpers—joined by a few others such as Connecticut's Lowell Weicker and then majority leader Mike Mansfield—led the fight for gasoline rationing. But Bumpers and his allies never came close to passing a plan. Nixon and Ford threatened to veto any rationing scheme, and Carter was uncooperative. Rationing was opposed vigorously by the oil companies, who feared lower sales; consumer groups, who spoke of "inconvenience"; and automakers, truck drivers, and resort owners, who claimed it would devastate their livelihoods. Rationing also was

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opposed by many liberals who felt it would be "unfair" to the poor with large cars, and by editorial writers who claimed that "rationing by price" was a better antidote to OPEC. Congress bowed to the pressure, fiddling around with tax incentives, allocation formulas, and assorted other diversions, which resulted in little energy saving and sometimes aggravated the problem. "Congress doesn't have an instinct for the jugular," Bumpers laments.

The Washington Monthly has made the case for rationing before, but it's worth recalling now because the U.S. economy is still quite vulnerable to another sudden surge in oil prices, not to mention an embargo. It could happen tomorrow—a new offensive in the Iran-Iraq war, a coup in Saudi Arabia, perhaps something as simple as what happened in 1973, when a French bulldozer in Syria accidently ruptured a major oil pipeline and gave OPEC members enough leverage to demand their first major price hike. A recent GAO report predicted that a minor disruption of three million barrels per day in world oil production could raise prices $6 or $7 a barrel; a loss of ten million barrels could result in $60-a-barrel oil. As for those who believe that the recent $5-a-barrel reduction in crude prices and the current oil glut signal the "breaking" of OPEC, remember that similar obituaries were being written on the eve of the 1979 price hikes.

America's first and only experience with gas rationing came during World War II. In May 1942 President Roosevelt ordered gas rationing for 17 Eastern states; in December 1942 he extended it nationwide.

Rationing worked this way. The government set a goal for reducing gasoline consumption—from the equivalent of 1.7 million barrels a day to about 1.2 million barrels, a drop of 30 percent. Ration coupons were then printed for that amount and distributed to all car owners. Most people got A coupons, entitling them to four gallons a week (later, three gallons), or the rough equivalent of 60 miles of driving. Those who depended on their automobiles for work, such as traveling salesmen, got a more generous B coupon. A select few—doctors, for example—got C coupons, which entitled them to unlimited amounts of gasoline. Commercial users and farmers also got most of what they asked for.

When a motorist wanted gas, he gave the attendant the correct number of coupons along with his money. Gasoline retailers in turn sent the coupons to the government, where they became the basis for future deliveries. To administer the rationing program, which not only affected gasoline but a dozen other commodities from tires to butter, 5,600 local rationing boards were established, staffed largely by 300,000 volunteers.

Were there problems with gas rationing? Of course. That several government agencies were responsible for the program caused confusion. Some local boards were overly generous with exemptions, while others were too strict. Millions of ration coupons were stolen from government warehouses, and many more (in particular, valuable C coupons) were counterfeited. A black market for illegal gasoline sales sprang up. In short, with gasoline rationing came all the problems one would expect of a government mobilization effort on such an unprecedented scale.

Just one more thing about the program: it worked phenomenally well. Total gasoline use was cut 30 percent; for passenger cars, the reduction was nearly 50 percent.

At the time of the October 1973 Arab oil embargo, the U.S was importing six million barrels of oil a day, three million of them from OPEC. Had we instituted a rationing program to reduce gasoline consumption by 30 percent, oil imports from OPEC could have been virtually eliminated. That's why gas rationing immediately struck many as the obvious answer. Former Colorado Governor John Love, then Nixon's chief energy adviser, called rationing "inevitable." A Harris poll showed the public preferring rationing 71 to 21 percent (78 percent opposed gas tax increases as a means of fighting OPEC). Animosity toward the Arabs was running at a fever pitch; *Commentary*

Dale Bumpers was smart

Photo courtesy of office of Dale Bumpers

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George Shultz was dumb

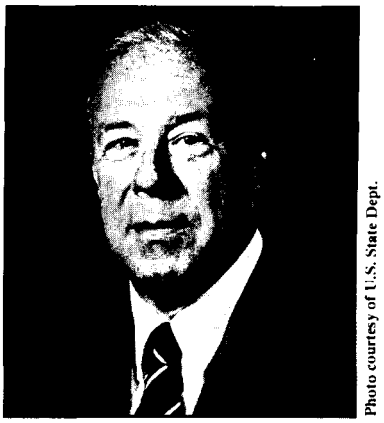

Photo courtesy of U.S. State Dept.

even advocated an invasion of the Middle East to secure the oil fields. If there was ever a time to mobilize Americans behind gas rationing, it was the winter of 1973.

So what happened? As the *National Petroleum News* of January 1974 reported, "Most of Nixon's advisers, with the conspicuous exception of [Treasury Secretary] George Shultz, are seen leaning in favor of gasoline rationing." Shultz, now secretary of state, had another idea: slap a 30-cent-a-gallon tax on gasoline to "ration by price" and let the free market work its magic. Gasoline rationing should be "absolutely the last resort," Shultz declared.

Shultz's lobbying within the administration paid off. When the Federal Energy Administration was created, Shultz helped maneuver Love aside and championed William Simon as head of the new agency.

In early 1974, Simon unveiled a standby gas-rationing scheme, but one had to wonder whether the FEA chief had bureaucratic sabotage on his mind. It was soon discovered that 1) the lack of serial numbers would make counterfeiting the coupons much easier, and 2) their likeness of George Washington would activate the nation's dollar-bill change machines. Several billion of these coupons are still mouldering in a military warehouse; the government claims it's cheaper to store them than destroy them.

Meanwhile, the Arabs lifted their embargo—never really an embargo anyway, since oil deliveries fell only 7 percent—and signaled their willingness to sell us all the oil we wanted. And oil we got, at $12 a barrel, along with the recession of 1974-75. Americans had been terrified by OPEC's hiss, in this case the embargo; when the hiss died down, few realized that the venom of higher prices would be slower acting but far more lethal.

There were many reasons that talk of rationing soon faded. One was that many people realized high oil prices suited them just fine. The major American oil companies soon realized OPEC was merely asking them to collect higher royalties from consumers; they obliged and in the process saw their ample domestic reserves suddenly escalate in value—by about $400 billion, to be precise. Companies such as Bechtel, Fluor, and General Electric saw the virtue of higher prices as OPEC nations went on a binge, buying everything from refrigerators to entire new cities.

Liberals were also making their peace with OPEC and 60-cent-a-gallon gasoline. A 1975 symposium by the Brookings Institution concluded, "In the long run. . . the cost to the industrialized countries of paying $10 a barrel, while far from negligible, poses no threat to living standards or economic growth." The report also noted that the inflationary impact would be small and short. Liberals had other delusions. We'd been immoral imperialists in Southeast Asia, hadn't we? Then it seemed only fitting that the Third World could flex its muscles a bit and make the West tremble. This was also the "era of limits," as the Club of Rome warned in 1973, and if higher oil prices were what it would take to curb our profligate appetites, then so be it. No matter that the oil shortage was largely illusory; proven reserves in the Middle East, for example, have increased every year since 1959.

The real shibboleth of the era was "alternative energy." Everyone from Mobil to the Sierra Club favored some kind of substitute fuel for oil: nuclear power, coal, synthetic fuels, gasohol, solar power. Unfortunately, most of these alternatives were economical only if oil prices remained unusually high. "Inexpensive oil," as then Secretary of State Henry Kissinger warned in early 1975, "would jeopardize the investment made in alternative [energy] sources."

And gas rationing? It fell victim to bad timing and a great deal of character assassination. In February 1975, Mansfield and Weicker proposed a bill to ration gasoline within 60 days. Coming amidst a spate of news reports about an "oil glut," it never made it out of committee. Meanwhile, the Ford administration and its allies were hard at work discrediting the nation's previous experiment in rationing. A 1975 report by the FEA claimed that gasoline rationing would take up to

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six months to implement, cost $2 billion a year to administer, and require 20,000 more federal bureaucrats. *Time* magazine recalled the "rampant black market" in gasoline during World War II, and Senator James Buckley likened the experience to three years of "horror."

Terrible stuff—all of it grossly exaggerated. The black market? It siphoned off an estimated 2.5 million gallons of gas a day—a sizable sum, but less than 4 percent of the total. Bureaucracy? The Office of Price Administration never had more than 9,000 employees in its rationing division, running more than a dozen programs. Gas rationing depended heavily on local volunteers, a big reason the program was so widely accepted; it wasn't usually a bureaucrat in Washington making the tough decisions, and was often your neighbor. Most people remember gas rationing as vaguely inconvenient, but hardly horrible.

One could argue that the OPEC nations in 1973 deserved somewhat higher prices for their oil. The oil companies had played the producers off against each other for decades to minimize royalty payments and reap huge profits off refining and marketing the oil.

This wasn't the case in 1979, when a second round of oil hikes inflicted far more damage on the world's economy—and far better demonstrated OPEC's greed. (Saudia Arabia, for example, had already amassed several hundred billion dollars of foreign reserves, most of it stashed in multinational banks, who then loaned the money to oil-importing countries.) In the wake of the Shah's fall and the shutdown of the Iranian oil fields, panic buying swept the world; within four days in May 1979 oil on the "spot market" was bid up from $18 to $34 a barrel.

In the United States, gasoline lines reappeared as an orgy of "tank topping" occurred. (As in 1973, later investigation revealed that no real shortage of supplies existed.) Gasoline jumped from 68 cents a gallon to $1.10 between January 1979 and January 1980. Inflation soared to double-digit rates, and unemployment shot up. One Carter aide prophetically warned, "Energy could be our Vietnam."

Would rationing have worked in 1979? The U.S. was importing half its oil—six million barrels a day from OPEC, or 20 percent of its total production. But that same vulnerability also gave us substantial leverage in the market. Consider what would have happened if a U.S. gas rationing program had quickly reduced OPEC imports by three million barrels a day. Most likely the producers would have fallen to bickering among themselves over who should absorb the losses. (The OPEC nations have always been a disputatious lot, a cartel more in name than in practice.) Such a reduction probably couldn't have broken OPEC, but it stood a good chance of keeping a lid on prices.

Like Nixon and Ford, Carter preferred a ration-by-price approach. Prodded by Energy Secretary James Schlesinger, Carter at various times during his presidency called for the decontrol of domestic oil prices, higher taxes on gasoline, and an $88 billion synfuels program. He did ask Congress in 1978 for standby rationing authority, but the plan was a bad joke; had it even been approved, it would have taken more than a year to implement. What's more, the plan's incredibly complex allocation formulas rationed all *available* gasoline; the scheme never contemplated a specific reduction in use.

What would happen today if OPEC contrived another shortage to increase prices? A ration-by-price approach would cause a resurgence of inflation and high interest rates. Now imagine how the nation's unemployed would feel as they watched a fragile economic recovery disappear amidst OPEC's boasts and higher oil company profits. The unleashed frustrations could make 1979 look like a picnic.

Gasoline rationing is still the best way to protect ourselves. Congress should enact a plan that would be activated only if the official price of oil rose above its previous high of $34 a barrel. If OPEC kept prices steady and let the world economy grope its way back to health, nothing would happen. But if oil prices rose above that level, for whatever reason, the plan would go into effect immediately. The plan should strive to reduce gasoline consumption by 30 to 40 percent, similar to the reduction achieved during World War II.

To the OPEC nations, the message in enacting such a plan would be blunt: "You've already enjoyed a decade of collecting nearly $1 trillion in extra revenues from us. The next time you try to shake us down we'll be ready for you." To our allies the message would be just as clear: "Next time, America will finally get serious about conserving energy." As for the developing world, the message would be: "We know you've suffered the most from high oil prices, and we're on your side. You shouldn't have to squander your meager earnings on oil; instead you should spend them on food, health care, and development projects."

It's time to deliver these messages, before crisis unexpectedly descends. As Dale Bumpers, the only candidate (declared or potential) in the presidential race to advocate gas rationing, says, "You don't fix the roof when it's raining." ■

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Flashdance II

by Nick Blake-Killingsworth

HOLLYWOOD—Meglo-Mania Studios recently announced it was planning a sequel to the current box-office hit *Flashdance*, the inspiring story of an 18-year-old welder who strives to realize her dream of becoming an internationally acclaimed ballet dancer by performing nights in the blue-collar bars of Pittsburgh.

The Washington Monthly has recently obtained a purported script of the sequel, which we asked a respected movie historian, Hugh Robert-Redford, to analyze. After a thorough and painstaking inspection, Robert-Redford pronounced it "probably genuine, if not perhaps authentic." But, of course, genuine or not, it almost doesn't matter in the end.

Scene I: *Downtown Pittsburgh, 1998. The pulsating, vibrant feel of silicon is in the air. In the distance stand the sprawling spires of the gold-clad office buildings which are Pittsburgh's lifeblood. Camera pans down across the Allegheny to the mighty Monongahela, where countless barges carry their loads of floppy discs and insurance claims to the city's vast data-processing complexes. At Three Rivers Stadium, fans down cups of I.C. Light Chablis as the Pittsburgh R.A.M.s of the new Known World Football League kick off their schedule of 2 a.m. Thursday morning games.*

Cut to a deserted street. We see ***Alexandra Owens Jr.*** *riding her moped. Alex Jr. is lead dancer of the Pittsburgh Repertory Ballet and daughter of famous flashdancer* ***Alexandra Owens****. She's 16. She's unbelievably gorgeous. She wears next to no clothes. She lives in a funky converted grain silo and has an incredibly ugly pet dog named Gimmick. By day, Alex performs for the ballet and garners international acclaim. But at night, she steals off to a seedy part of town where she leads a secret life. She has a dream—a dream so powerful she can feel it. She is training for the impossible, for something no one else in Pittsburgh would even dare hope for. She wants. . . a job as a welder.*

Nick Blake-Killingsworth is a pseudonym for two regular contributors to this magazine.

ROLL TITLE CREDITS.
PLAY TITLE THEME,
"FLASHDANCE—WELD A FEELING!"

Scene II: *The Pittsburgh Repertory Ballet's studio. Dancers and choreographers are everywhere. The ballet master sits in front of her computer terminal, plotting movements for a new piece. Alex Jr. stands before the wall mirror, one leg perched over the barre, staring off into space. She is dreaming of welding.*

Dancer No. 1: Daydreaming again, Alex? You don't still think they're going to let you visit the union hall, do you?
Alex Jr.: Yes. I know they will. I can feel it.
Dancer No. 2: Alex, wake up. You can't go through life expecting to get a job. You'll end up bitter and unhappy. Remember what President Reich said last month, when he signed the bill to buy those Japanese aircraft carriers? He said, "Process is our most important product."
Alex Jr.: But I've got to weld. When I plug in a power tool, something just happens inside me. The current starts to surge through me. Can you understand what I'm trying to say?
Dancer No. 2: No.
Dancer No. 1: Honey, remember your roots. Remember who you are and where you're from. When are you going to realize you're just an artist like the rest of us?

Scene III: *An aging nursing home in a forgotten part of town. The Edgar Thompson Works National Monument looms in the background. A little farther beyond, on the site of another abandoned steel mill, a theme park called "Six Flags Over Capacity" is about to open for business. Zoom in to the room of* ***Mrs. Rosie McBride****. It is bare and modest, but proudly kept. On the walls are various momentos—a few stock certificates, a 30-year commendation, some tattered strike posters, a faded photograph of a beautiful young woman arm-in-arm with a dashing young man on the picket line. Somehow, you sense, that woman of the past is Mrs. McBride.*

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Alex Jr.: Tell me again what it was like.
Mrs. McBride: (her eyes growing teary) There we were, hundreds of us. The factories actually ran three shifts in those days, not once a year like they do now. When you grabbed the time-clock handle and punched in, it was. . . it was . . . as if the whole world could hear the "CLING!"
Alex Jr.: Was it loud?
Mrs. McBride: Very loud.
Alex Jr.: Was it hot and dangerous?
Mrs. McBride: Always.
Alex Jr.: Did people hurt themselves and get into arguments?
Mrs. McBride: Constantly.
Alex Jr.: Oh, Auntie Rosie, I've just got to do it myself. It's my passion. It's my life.
Mrs. McBride: Are you going to the retraining center every night, and practicing like I told you?
Alex Jr.: Oh yes I am, every night. I carry the acetylene bottles on my moped.
Mrs. McBride: I knew you would. (She rummages in an old trunk.) Now I have something for you—to bring you luck at your audition.
Alex Jr.: What?
Mrs. McBride: This. (She produces a plastic hardhat.) I was wearing this the day the slag tower fell on my husband. Take it.
Alex Jr.: Oh, Auntie Rose, it's beautiful. I'll wear it every minute. I'll wear it today when I dance *Giselle.*

Scene IV: ***Nick Hurle Jr.*** *and Alex Jr. drive up to her converted grain silo. Nick Jr. is the ballet company manager and the son of* ***Nick Hurle,*** *foreman at the steel mill where Alex Jr.'s mother worked. His father was the one who managed to buy a 25-room mansion and a Porsche 930 on his foreman's salary. How did he do it? Now you know where all the money that was supposed to go into plant renovation ended up. The dog, Gimmick, greets them. As Nick Jr. opens the door to his Panasonic sports car, an electronic voice warns, "Door ajar. Door ajar."*

Nick Jr.: It is not a jar. It's a door.

Inside, Alex Jr.'s place stretches in all directions. Like her mother's apartment in the converted warehouse, it seems to have no physical boundaries. Their steps echo. At any moment, you expect the Boston Celtics to come running down a tunnel onto the floor. Nick Jr. and Alex Jr. are carrying ratatouille submarines for dinner.

Alex Jr.: I like you. You're not like the others. For instance, you're the only man I've ever met who isn't gay.
Nick Jr.: Yes. You can't imagine what it's like to not be gay in a town like Pittsburgh. The prejudice. The remarks, when I walk into a bar and order beer and schnapps instead of something frozen. All the male dancers in the company are always taunting me.
But never mind that. Alex, aren't you happy as a ballet dancer?
Alex Jr.: No. Not since I read Ron Reagan Jr.'s book, *Pity Me: The Incredible Hardship of Dance.* I started to realize the drudgery, the meaninglessness of our lives. The sweating. The dieting. The bowing to thunderous applause. The long months on the road, sleeping in one anonymous Ritz after another in places like Paris or Copenhagen. That's when I knew there had to be something more to life, something more than just international acclaim and tax deductions.
Nick Jr.: When you're welding, don't you, you know, feel self-conscious?
Alex Jr.: No. When I drop the visor, it's like the whole world disappears. All there is, is me and the torch. I start to feel the passion, I let it happen and I . . . I become the welding. It *is* me. Do you know what I mean, Nick?
Nick Jr.: No.
Alex Jr.: Last month I heard that the Machinists are going to need a soloist this season. U.S. Steel 'n' Software Inc. actually plans to ship a ton of steel. And there's a rumor going around that American Bethlehem Theatre, the cable-TV and videodisc company that was founded after they sold Lackawanna, N.Y., to the Koreans for scrap, plans to stage a re-creation of the manufacture of an angle iron, to show on closed circuit.
Nick Jr.: You think you have a chance?
Alex Jr.: Let's not talk any more. Let's have a moment of far-out sex without any clues at all in the script that it's part of either of our personalities. Here, let me show you how to work the straps.
Nick Jr. (gasps)

Scene V: *Union hall of International Brotherhood of Pipedreamers Local No. 1704. A dilapidated, aging auditorium. Though it is silent, somewhere, far away, calls of "LET THE BOSSES TAKE THE LOSSES!" seem to reverberate off its walls. Slowly, Rolls Royces begin to arrive at the door. All three still-working members of the local have*

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come to see Alex Jr.'s audition. Canes at their sides and hearing aids turned to full, they assemble at a table, polishing their glasses.

Alex Jr. enters, nervous. Rods of stainless steel and some welding equipment lie before her. She drops her visor. Quickly, flawlessly, she welds two rods together. Her work is perfect.

Immediately, the union members begin to stir and grumble. One, furious, rises to leave.

Angry member: I thought you said she was qualified!

In a flash, Alex Jr. realizes her mistake. Summoning all her courage, she asks,

Alex Jr.: May I start again?

Grudgingly, the members nod consent. This time, Alex Jr. picks up two more rods. Then she puts them down. She walks around them for a while. She picks up the torch, then sets it down again. She starts to weld, but misaligns the rods completely, making a mess. She drops the torch, damaging it.

Slowly, she realizes, the members are beginning to nod with her in tempo. One, tapping his feet, chants softly, "Slow it down, slow it down." Alex Jr. circles the rods again. She leaves the building for 20 minutes, gets coffee, and comes back. She has left the torch on, setting a small fire. When she sees the fire, she exclaims,

Alex Jr.: These working conditions are unsafe. I want to file a grievance!

As one, the union members rise and cheer.

Scene VI: *Outside the union hall. Nick Jr. and Gimmick the dog are waiting with flowers and a bottle of Japanese champagne. Alex Jr. bursts through the door, triumphant.*

Alex Jr.: Oh Nick, Nick, I did it, I got the job, I got the job!
Nick Jr.: (embracing her, thinking about far-out sex) Wonderful! When do you start?
Alex Jr.: I don't. I've been laid off already. But thanks to the last contract, I'm already eligible for early retirement.
Nick Jr.: Huh?
Alex Jr.: Nick, don't you see? I'll get paid but I'll never get to work! It'll be just like being a welder! I made it happen!

MUSIC SWELLS UP. THEY KISS.
GIMMICK BARKS. CAR CRIES OUT,
"DOOR AJAR."

FADEOUT

■

THE WASHINGTON MONTHLY

Journalism Award

for April 1983 is presented to
Michael Berryhill
and David Butler
Houston City Magazine

Berryhill and Butler take a second look at the assumptions behind Houston's proposed rail system and conclude that they bear little relation to the needs of that sprawling, car-oriented city. Among their most surprising findings: even assuming that by the year 2000 the multi-billion dollar project will attract as many passengers per mile of track as the Washington, D.C., metro, Houston's ridership estimate is still twice what it should be. Particularly useful is their suggested alternative: expanded bus service, which would spare Houston the immense capital cost of installing a rail system. Even train lovers like us have to be impressed.

The Washington Monthly wishes to recognize the writers and publishers who share our purpose of trying to describe how the political system really works, to determine why it succeeds, and why it fails, and to suggest ways in which it might be improved.

The **Monthly Journalism Award** is presented each month to the best newspaper or magazine article (or series of articles) on our political system. Nominations from any newspaper or magazine in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for articles published in July will be announced in the October issue. Nominations will close August 15. Nominations should be accompanied by two copies of the article or articles.

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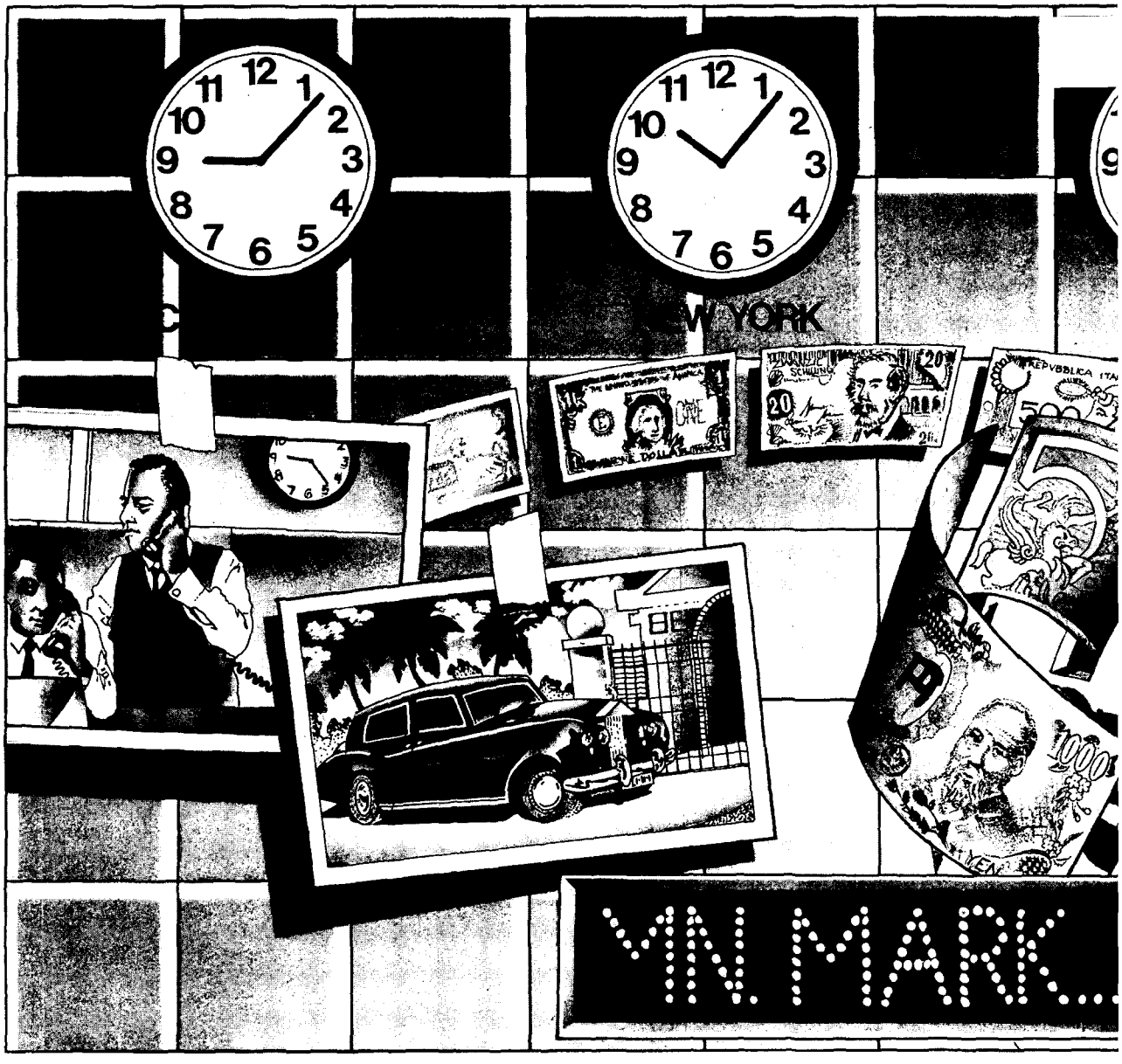
The Great Currenc



BY MICHELLE CELARIER

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Bazaar

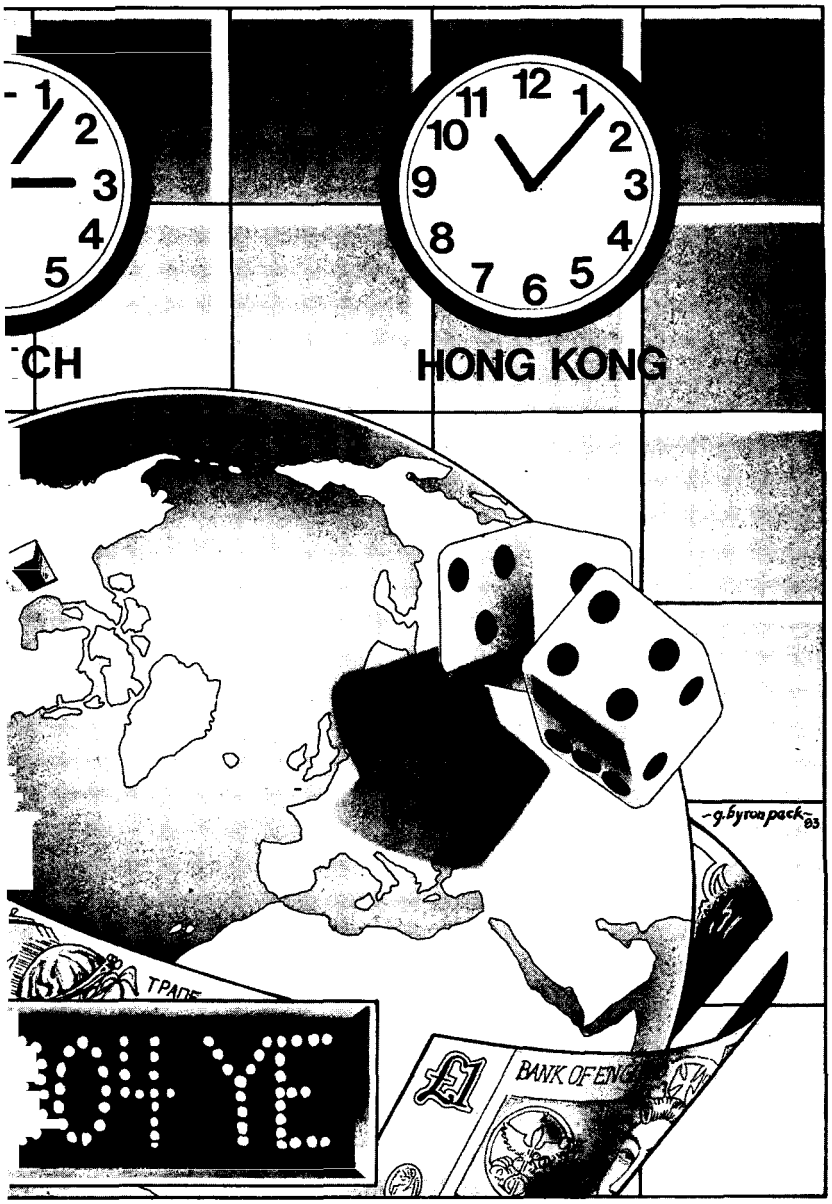

Illustration by G. Byron Peck/T. Egly Assoc.

In many circles, dropping phrases like "foreign exchange rate" or "dollar convertibility" has a way of provoking a mad dash for the exits. But if the subject sounds dull, those who've been following the flurry of recent news stories about the world monetary system know that its condition is no trifling matter. The world's finance ministers are venting their frustration about "wildly fluctuating" exchange rates; international bankers are hinting darkly of "chaos" in the marketplace. And at the summit conference in Williamsburg, reform of the international monetary system was a top item on the agenda. Though the leaders of the Free World couldn't agree on a solution, they communicated the gravity of their concern with a time-honored gesture—pledging to convene a high-level conference to study the problem further. They'd better hurry; as *The New York Times* recently noted, many observers fear that the current chaos in currency exchange rates "threatens the world's emerging recovery."

A major cause of the "chaos" decried by many conservative and liberal economists is something known as "floating exchange rates." From 1944 to 1973, the world largely relied on fixed exchange rates that directly pegged major foreign currencies to the value of the U.S. dollar. But when our economy began faltering in the late 1960s, the system unraveled. In 1973 the major industrialized countries agreed to let their currencies "float" against each other, letting the free market determine the relative value of each.

Michelle Celarier is an associate editor for Institutional Investor's *"Portfolio Letter."*

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"What socially redeeming value does this have?" asks one foreign currency trader. "Well, it's putting my daughter through college."

Floating-rate enthusiasts, most notably Milton Friedman of the University of Chicago, argued that this system would allow currency rates to reflect a country's economic health far better than government-decreed rates. If a country ran a large trade deficit, for example, its currency would sink against that of other countries, making it more expensive to import goods but making its exports more competitive in world markets. A country with a large trade surplus would see its currency grow stronger and its exports more expensive. In both cases, floating rates would help restore balance to international markets.

As with monetarism, a Friedman inspiration that has helped plunge the world into the worst recession in 50 years, floating rates may have made sense in the lecture halls at the University of Chicago, but they haven't worked in the real world; just ask an unemployed U.S. autoworker. Because the dollar is so strong relative to the Japanese yen, the price of an imported Datsun is about $1,500 less than it would be if the exchange rate of several years ago prevailed. According to free-market theorists, we're supposed to wind up with such a strong dollar only when we're flooding the world export market. But last year the U.S. ran a trade deficit of $43 billion while our GNP dropped in real terms. Japan ran up a healthy trade surplus as its economy grew a respectable 3 percent after inflation. Yet in defiance of the floating rate theory, the dollar has grown steadily *stronger* against the yen, not to mention most other foreign currencies. In fact, the dollar is now overvalued by 20 percent when compared to our trade balances with all other countries—even higher than it was before the collapse of the Bretton Woods system of fixed rates in 1973. The strong dollar may sound heartening—but it's helping keep the U.S. economy on its knees.

High U.S. interest rates, themselves largely the result of the Federal Reserve Board's monetarist policies, are usually touted as the cause of the overvalued dollar. Foreign investors who buy dollars can reap higher yields here, adjusted for inflation, than elsewhere. But it's a vicious circle. Countries like Mexico and Brazil, whose debt is largely denominated in dollars, find it more difficult to repay their loans; the resulting recession and political uncertainty send even more capital scurrying here. The dollar is further strengthened and international trade continues to dry up. The result is that foreign exchange trading, which makes such movements of capital possible, has increasingly become a vehicle for speculation—while less and less serving its original purpose of financing international trade.

What keeps the vicious circle going? The misguided experiment of monetarism certainly is a major reason. But another reason, often overlooked, is how people like John Beardsley make a living.

Waiting for the Swiss cheese

Beardsley (not his real name) is a foreign currency trader. Several years ago he began as a typist for a large Canadian bank and quickly worked his way up through the ranks. Most of his day is now spent in front of a VDT terminal that can tell him almost instantaneously what the deutsche mark is selling for in London or what the franc will fetch in Chicago. His job is to transfer large sums of the bank's money between these currencies, hoping on each transaction to turn a sliver of profit for his employer.

Though Beardsley is merely trading someone else's money, he'll tell you that his isn't a world for the fainthearted. Tens of millions of dollars routinely change hands in a single transaction over the telex, and the difference between profit and loss usually is determined by changes in the fourth digit to the right of the decimal point. Traders who guess correctly about the movement of the dollar relative to other currencies can quickly parlay small amounts into large profits; if they guess wrong, they can lose just as much. "Sure it's gambling," Beardsley observes, "but it's the difference between gambling on the odds versus a hunch. If you play the crap tables long enough,

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you get a feel for them. It's the same here." And Beardsley, who is just 30, has a good feel. Last year, his income was nearly $100,000.

Of course, just as in Las Vegas, not everyone is so lucky. "If you caught one right move, you could become a millionaire in a couple of weeks." The speaker is Earl Jones, a former currency trader on the Chicago Mercantile Exchange who went on to form his own Seattle-based consulting service that placed orders for large corporations while operating a "house account" for himself. But several days after Jones gave this rosy assessment, he explained to a friend that he hadn't paid himself for three months and was thinking of selling his office furniture before his creditors descended. The markets were "slowing down," he said, and he was on his way to Los Angeles where he was going to "play with someone else's money."

Beardsley and Jones are just two men (few women have yet entered the business) who belong to a rapidly growing fraternity of foreign exchange traders. Each day the world's banks trade $20 billion in currency—four times the amount of just five years ago. The International Monetary Market in Chicago, the major domestic arena for trading in currency futures, sold more than eight million contracts last year, most worth at least $1 million—more than ten times its 1978 volume. "The market has just exploded," says a proud IMM official.

Indeed. The foreign currency market is now the largest, most ubiquitous market in the world. It's a world held together by deals struck over the telephone and the telex, linking markets from Hong Kong to New York City. With video display terminals that constantly flash changing prices for dozens of currencies, it's a world where the action is so fast-paced—and the profits often so risky—that one trader dubs it "the land of the quick and the dead." It's also a world in which young brokers frequently dine in New York City's poshest restaurants and attend openings of Broadway shows, all in an effort to lure new clients into the game. And like all professional subcultures, it has its own special language—"spots," "forwards," "interest-rate parity"—and its own entourage of consultants and forecasters who make money on the market's wild gyrations by trying to predict them rather than bet on them.

Of course, some amount of foreign currency trading is a necessary fact of life, floating rates or no. Most people understand that if you go on a Christmas vacation south of the border, you need to trade dollars into pesos; if you belong to the Continental set, it's necessary to exchange dollars for francs to finance an April in Paris. (Incidentally, the same strong dollar that plagues America's manufacturers now makes it much cheaper to travel abroad.) But primarily, it's businesses involved in international trade who must trade currency to protect themselves against unforeseen fluctuations in exchange rates.

The classic textbook case is that of a U.S. importer who has ordered Swiss cheese that he must pay for in three months. To protect himself against the dollar's falling in value while he is waiting for his cheese, the importer (or more precisely, his banker) will sell enough "spot," or current dollars to pay for the cheese at the prevailing exchange rate. Then he places an order for a three-month "forward" on Swiss francs. The idea is to take the proceeds of the dollar sale, invest them in Swiss francs, and thus come up with the precise amount of money necessary to pay for the cheese when it arrives.

As long as the currency market primarily accommodated the financing of international commerce, trade flourished and jobs were created. But today, the amount of money tied up by banks alone in foreign exchange is estimated to be three to ten times larger than the volume of the trade and investments it allegedly finances. The extra dollars that ride on the whims of currency fluctuations are dollars that are being invested in search of short-term profits—and dollars that aren't being invested in new factories or any other productive assets that create real wealth.

As traders will admit, speculation also has a ratcheting effect that often drives the price of currencies beyond what their countries' interest rates, inflation, or trade balances merit. In a sense, the world is turned upside down. Market-induced exchange rates begin to determine the terms of trade rather than, as theory would have it, the other way around.

It's quite a mess. One speaker at a convention this April for 1,000 foreign exchange traders and brokers put it this way: "Extraordinarily unstable markets," he said, "may be an exhilarating game for a young trader, but there is substantial room for doubt as to its benefits for the economy as a whole." Not a wholesale denunciation but a reprimand nonetheless—and all the more significant considering the source. The speaker was none other than Federal Reserve Board Chairman Paul Volcker, whose high-interest-rate policies themselves have played a leading role in forcing up the dollar's value.

Again, it's a vicious circle. What's the main cause of the strong dollar? High interest rates. And

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what helps keep interest rates too high? Speculative pressure from investors betting on a strong dollar.

Feverish "position taking"

The main players in foreign currency trading are the world's banks. The top 20 international banks account for nearly half of all foreign currency trading in what is known as the interbank market, and four of the top five are American banks—Citibank, Chase Manhattan, Morgan Guaranty, and Bank of America.

In recent years, speculation by the banks has rapidly accelerated. Thomas Henley, an analyst for Salomon Brothers, estimates that currency trading profits for the ten largest U.S. banks quadrupled between 1977 and 1981 to $800 million. When the dollar fell in 1978, many of these banks made hefty profits betting against it, which inspired the U.S. Senate to conduct a brief investigation to try to determine the extent to which banker speculation had further forced the dollar's decline. By 1981 the Federal Reserve Board of New York was moved to note, "As top bank management has focused more closely on the importance of currency exposures, a growing number of banks have positioned their trading operations as profit centers, and income from foreign exchange trading has become an important source of commercial bank earnings."

Bankers prefer to call what they are doing "active position-taking" rather than speculation, which has such parasitic connotations. All "position-taking" means, however, is that banks have encouraged their traders to load up on currencies they expect will appreciate in value and dump those they think will depreciate. The distinction is largely one of semantics.

An agency called the Federal Financial Institutions Council—representing the FDIC, the Comptroller of the Currency, and the Federal Reserve Board—recommended in 1979 that banks' trading policies should include "guidelines" on how much capital should be put at risk for such transactions. But these guidelines are wholly discretionary. One clue to the banks' exposure was provided in 1975 during the temporary lull in currency trading following the foreign exchange-related failures of New York's Franklin National Bank and West Germany's Herstatt Bank. An internal Federal Reserve report placed the average bank capital at risk in foreign exchange at 10 percent—and this was at a time when the interbank market was far smaller and more timid than it is today.

The banks' current investments also have the potential to undermine efforts to reduce the high interest rates that have already proved so devastating to American consumers and small businessmen. Banks that have invested large amounts of capital based on the continued strength of the dollar obviously have mixed emotions about encouraging any decline in interest rates.

In the past, currency trading was a game that was largely the province of the largest international banks. But in recent years many new players have entered the game, including smaller regional

CITIBANK VS. THE WHISTLEBLOWER

How lucrative can foreign currency speculation be? So lucrative that in 1978 Citibank made profits of $105 million on currency trading alone—and apparently broke the law in order to do it.

Citibank's activities were revealed by David Edwards, a former trader for the bank. In the mid-seventies, Edwards discovered that his employer was transferring trading profits from high-tax to low-tax countries, making it appear that a trade initiated in Paris had really originated in the Bahamas. Citibank's European branches also routinely "parked" holdings in Nassau to evade limits on foreign currency speculation set by their host countries. When Edwards discovered these improprieties, he brought them to the attention of his superiors. They told him to be quiet. When he refused, he was transferred to another job. In late 1977 Edwards was fired, but much to Citibank's chagrin he left with a bundle of incriminating documents, which he turned over to the Securities and Exchange Commission.

To counter Edwards's charges, Citibank asked its in-house counsel, Shearman and Sterling, to conduct an investigation. Not surprisingly, the inquiry largely exonerated the bank, though the firm conceded that legal challenges to Citibank's actions by other countries had a "high probability of success." Staff lawyers for the SEC labeled the report a "whitewash" and recommended formal action, but enforcement chief John Fedders, a Reagan appointee, contended that Citibank's illegal activities overseas were none of the commission's business. The SEC voted 3 to 1 to take no action.

And what of the man who blew the whistle? After his dismissal, Edwards began searching the New York financial district for a job. He didn't find one and eventually returned to his hometown, Wichita Falls, Texas.

—Phil Keisling and David R. Walker

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banks following their larger brethren (much as they did with foreign loans) in search of high profits.

Because most of these smaller banks are lacking in expertise, they rely on independent brokers. These brokers in turn compete feverishly for the banks' business, well aware that snaring just one client can be worth millions in commissions. The bank traders who come to New York with thoughts of currency trading are assiduously courted with promises of access to the most sophisticated recesses of the interbank market and "discounts" on their brokerage fees. Discounts aren't all that's offered; according to one broker, "cars, apartments, drugs, and women" are sometimes part of the broker's fervent attempt to please. "You do whatever they require to get their business, anything to make the trader happy," he says.

Pork bellies in pinstripes

While the interbank market may be the largest foreign currency arena, the International Monetary Market of the Chicago Mercantile Exchange is fast gaining momentum. Since 1972 the commodity pits of the IMM have been crammed with hundreds of traders who bid on the prices of nearly a dozen currencies. For the privilege of being able to risk their money, or that of other investors, the traders pay nearly $200,000; just seven years ago a seat sold for $24,000.

Dubbed "pork bellies in pinstripes," these traders are a far cry from the genteel lot who trade by phone in the interbank market. Like all commodity futures exchanges, the IMM is unabashedly full of speculators. A press kit distributed by the IMM even extols speculators for their role in promoting "liquidity" and includes a booklet on "Speculative Practices and Techniques."

Those who wish to trade with their own money on the IMM need only $10,000 in cash and a net worth of $75,000 to start speculating in three-month Treasury bills—a common device for betting on the movement of the dollar. Unlike the interbank market, the IMM does have margin requirements. However, they are conspicuously small; for example, a futures contract for $1 million in French francs requires the trader to put up just $30,000. Three-month Treasury bills worth $5 million require only $10,000—a 500:1 ratio. Such huge leverage is what speculation is all about, since it allows an investor to reap large returns by putting up a small amount of capital.

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How do IMM traders decide where to put their money? Some simply play their hunches, but many rely on a relatively new species that's been spawned by the surge in currency speculation—the foreign exchange consultant.

Currency forecasting has become a booming industry in recent years, and the consultants who work this field can generally be divided into two camps. First there are the fundamentalists, who make predictions based on their analysis of economic factors like a country's balance of payments and its inflation and interest rates. The second camp consists of the so-called "chartists," who follow the market's past trends and use short-run averages to predict long-term results.

If floating rates worked according to the theory, the fundamentalists who guessed correctly about global economic trends should be cleaning up in the IMM. But, for the most part, the opposite has been the case. In recent years, it's been the chartists who've done better than the fundamentalists, according to surveys conducted by *Euromoney*, an international financial magazine that closely tracks the currency markets. As for consultants in general, Richard Levich of the National Bureau of Economic Research recently concluded after studying the predictions of 12 major forecasters that investors in 1982 would have done better making decisions based on the flip of the coin. The failure of the experts may seem like rough justice, but it's actually quite unsettling, since it aptly illustrates how the market's actions are increasingly divorced from economic realities.

What does your daddy do?

Traders in the interbank market generally scorn their counterparts in the IMM as crass speculators, yet in truth the two markets have become more and more dependent on each other, particularly during the recent slowdown in international trade. In fact, the nation's largest banks already are active in playing both markets off against each other—reaping more profits in the process while further distorting the market.

The best evidence of the booming trade is something known as arbitrage. Because of the IMM's speculative nature, currency prices will often vary between it and the interbank market. Arbitrageurs, who usually work for the big banks, investment houses, and huge currency dealers, try to exploit these gaps to their advantage. For example, speculators on the IMM may bid the price of the dollar in relationship to Swiss francs higher than it is in the interbank market. Let's say $1 million will buy 2.100 million Swiss francs on the IMM, whereas it will buy 2.095 million in the interbank market. The "arbs" go along with the speculators until such a difference in cost appears, at which point they'll sell the dollars on the IMM and rebuy them at the lower rate in the interbank market. In the above case, the quick arb can pocket the difference of 5,000 Swiss francs (about $2,500) on a $1 million investment. It's a small return yet almost completely risk-free.

In recent months, the IMM's activities in the interbank market have been widely credited in financial circles with "buoying the dollar." While the total effect is hard to measure, one currency arbitrageur estimates that 30 percent of the IMM market, which is currently growing much faster than the interbank market, is devoted to arbitrage. The bank traders don't seem too concerned about the IMM's growing influence, however. Says one: "I make money, and the arbs are happy."

Indeed, all the players in the foreign currency game—the bank traders, the futures market speculators, the forecasters, the brokers, the arbitrageurs—are working together to distort currency rates. *The New York Times* recently estimated that the "stateless money" now controlled by foreign exchange traders can influence the exchange rates of major countries by as much as 2 percent a day. That may seem trifling, but by commodity market standards, that kind of change can have a dramatic effect on the market, particularly over time.

The speculative pressures are further reinforced by the befuddlement of the world's politicians. Though the leaders of the major industrialized countries generally agree that floating rates have resulted in serious distortions, they're confused as to the solution. France favors a new form of fixed rates; the U.S., Japan, and West Germany favor different reforms of the floating rate system.

While the politicians are confused, the traders know what to do. They'll continue to watch their VDT screens, telexing buy and sell orders to each other as they look for their chance to make a killing. A few are disturbed by what they do; one young broker, whose income approaches six figures, says, "I shouldn't be making this kind of money. . . I'm just a glorified telephone receptionist." But don't expect too many to stop and think deeply about what all this furious activity means for the rest of us. As one trader defensively put it, "What socially redeeming value does this have? Well, it's putting my daughter through college." ■

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WHO'S WHO in the Administration

The women who fear that the Reagan White House is not sympathetic to their concerns are right. The president listens to no woman other than his wife. There is no female adviser of high rank on the White House staff. **Faith Whittlesey**, who is supposed to perform the role of adviser, has little influence. Responsibility for women's affairs has been taken away from her and given to **Michael K. Deaver**, who now heads a new coordinating council on women. Deaver, you will recall, is the man who ruled the White House gym off-limits for all but a certain category of White House officials. That category just happened to exclude all women on the White House staff.

It's not just women who have the problem of access to the president, however. Even his top assistants sometimes have problems reaching him. Indeed, veteran White House correspondents will tell you that this White House staff more than any in memory has used the press as a way of reaching the president. In the past this was a common tactic of cabinet members and other government officials who were physically removed from the White House. But now when you read stories that say, for example, the Congress simply won't accept this or that presidential position, they may well have been planted by White House staff members who want to convince the president he has to negotiate. These advisers may have physical access to Reagan but they doubt their ability to persuade him without outside assistance.

In

WHITE HOUSE
Special Assistant to the President for Inter-governmental Affairs—**Lee Verstandig** has been assistant secretary of transportation for governmental affairs.

COMMERCE
Deputy Trade Representative in Geneva—**Peter O. Murphy** has been chief textile negotiator in the U.S. Trade Representative Office.

DEFENSE
Inspector General—**Robert W. Bazley** has been vice commander-in-chief for the Air Force in Europe.

Assistant Secretary for Manpower and Reserve Affairs—**Delbert L. Spurlock Jr.** has been general counsel for the Army.

JUSTICE
Assistant Attorney General, Criminal Division—**Stephen S. Trott** has been the U. S. attorney for the central district of California.

STATE
Assistant Secretary of State for Inter-American Affairs—**Langhorne A. Motley** has been ambassador to Brazil.

Ambassador to El Salvador—**Thomas R. Pickering** has been ambassador to Nigeria.

Ambassador to Ghana—**Robert E. Fritts** has been senior deputy assistant secretary of state for consular affairs.

TRANSPORTATION
Federal Railroad Administrator—**John Riley** has been a legislative assistant to Senator Dave Durenberger.

Assistant Secretary for Policy and International Affairs—**Matthew Scocozza** has been deputy assistant secretary of state for transportation and telecommunications.

TREASURY
Assistant Secretary for Domestic Finance—**Thomas J. Healey** has been corporate finance department manager at Dean Witter Reynolds, Inc.

Out

DEFENSE
Chief Spokesman for the Pentagon—**Henry E. Catto Jr.** has resigned to resume his position of chairman of the board of the Washington Communications Corporation.

STATE
Assistant Secretary for Inter-American Affairs—**Thomas O. Enders** has been reassigned as ambassador to Spain.

Ambassador to El Salvador—**Deane R. Hinton** is on a two-month leave of absence and will be reassigned when he returns.

TRANSPORTATION
Deputy Secretary—**Darrel M. Trent** has resigned to become chairman of the board and chief executive officer of Rollins Environmental Systems but will continue as chairman of the U.S. delegation to the United States-European Civil Aviation Conference.

Assistant Secretary for Policy and International Affairs—**Judith Connor** has resigned.

Director, Federal Railroad Administration—**Robert Blanchette** has resigned to become president of the TGV Company.

TREASURY
United States Treasurer—**Angela M. Buchanan** has resigned.

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Stars of the States

by Douglas Jehl

"It's one of the happy incidents of the federal system," wrote Justice Louis D. Brandeis, "that a single courageous state may, if its citizens choose, serve as a laboratory, and try novel social and economic experiments without risk to the rest of the country."

True, the aroma from the laboratory isn't always Arpege. Some state governments seem to mimic the worst of Washington, with a few choice maneuvers of their own. (See "50 Miniature Washingtons," Gregg Easterbrook, January 1982.) Still, Justice Brandeis's point is on the mark. Just as in business, where most innovations come from smaller enterprises rather than large, and practical solutions usually arise from the shop floor, in government the best ideas are often from below rather than from above.

There are a number of reasons state officials can be more original. State government is where many political newcomers get their start. They are often full of enthusiasm and they haven't made a lot of deals. (Remember, most state campaigns cost a fraction of what it takes to get to Washington.) Some state offices are obscure enough to enable good people to slip in unnoticed by the interest groups.

Then, too, while there is no shortage of lobbyists crawling around Sacramento, Albany, and even Helena, Montana, the special-interest logjam can be a bit looser in the states than in gridlocked Washington, D.C. On top of this, needs at the state level frequently are more defined, and solutions can be more practical and concrete. It's one thing to frame a housing program for Iowa City and Des Moines. Then toss in Anchorage, Miami, Detroit, and the South Bronx, plus a bevy of congressmen from well-off suburbs who need to bring home some bacon of their own, and you begin to have real problems.

We've tried to identify some of the state government standouts in a wide range of positions. To find them, we conducted nearly 100 interviews with journalists, legislators, government officials, and others throughout the country. We were looking for the sparks of originality that you can't often find in Washington—for individuals who are willing to challenge the status quo and take on powerful interests if that's what it takes to conduct the public's business the way it should be done.

There were many more impressive nominees than we could include. Some left office after the November elections. Others show great promise, but need a little more time to build a record.

It's obvious that a list like this could be much longer. But the individuals who follow serve to remind us that the answers to America's problems will not all be found within the circulation area of The Washington Post.

TOM TOWE

Montana State Senator

A state senator since 1975, Towe was the architect of Montana's 30 percent coal excise tax. "Billions of dollars in coal have been taken out of the state," Towe says, "leaving us with nothing but huge holes that are filling up with poisonous water. We have to protect our future—if we don't we have squandered our heritage." Towe sponsored legislation requiring that at least 50 percent of coal tax revenues be set aside for the day when the coal runs out and that a large portion of the money be invested in-state.

On another front, Towe helped write one of the most sensible insanity-plea laws in the nation. Towe argues that laws that allow people like John Hinckley to be found not guilty by reason of insanity are flawed because they "encourage [the mentally ill] to live in their delusions" by absolving them of social responsibility. In Montana, psychiatric evidence is now used only to determine whether a criminal should go to jail or a mental hospital, and those found cured must return to court, where a judge determines whether they must return to jail to complete their incarceration.

Douglas Jehl is a former intern of The Washington Monthly.

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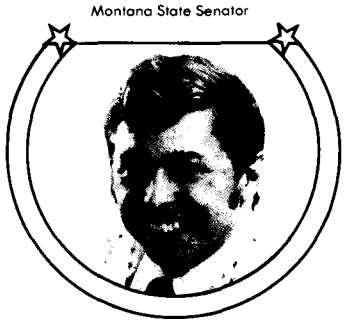
DAVID AXELROD
New York Health Commissioner

TOM LOFTUS
Wisconsin Speaker of the House

TOM TOWE
Montana State Senator



Photos courtesy of state government offices listed.

TOM LOFTUS
Wisconsin Speaker of the House

Loftus has come far, fast. Four years after he was elected to the assembly he became majority leader. Today, just two years later, Loftus is sitting in the speaker's chair and is considered Wisconsin's most able legislator. Despite his meteoric rise, he has remained his own man—not afraid to offer new ideas or offend traditional supporters.

Earlier this year it was labor, a traditional power in Wisconsin Democratic politics, that Loftus angered. The state's unemployment program, which had long offered generous benefits and levied low taxes, was in dire financial straits. A board of businessmen and labor leaders, whose recommendations the legislature had rubber-stamped for years, was stymied, with labor pledging to vote against any plan but its own. Loftus, together with the new governor Tony Earl came up with a system in which taxes would be hiked and benefits cut significantly. Labor's reaction? "When I was testifying, the room was full of demonstrators calling me a traitor and a sell-out," Loftus recalls. But he held firm, and the plan was enacted.

Loftus also ran roughshod over some liberal sensibilities with his proposals to reform the Aid to Families with Dependent Children program. "It's time to take a new look at AFDC and remember what it was intended to be—a child support program," Loftus says. Five Wisconsin counties are now experimenting with a system in which a fee for child support is withheld, in much

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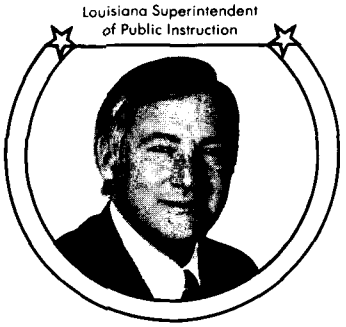
KELLY NIX
Louisiana Superintendent of Public Instruction



RUSSELL SCHWEICKART
California Energy Commissioner

KENT CONRAD
North Dakota Tax Commissioner

the same way as taxes, from an absent parent's paycheck. Only if the absent parent is unemployed or doesn't make enough to support his child adequately are state and federal funds kicked in. Loftus believes the increased child support will bolster the incomes of recipients enough to keep more families off public aid, making the program far more efficient than AFDC. What's more, there's no disincentive to work: unlike AFDC, in which benefits decrease and then stop as a recipient's income rises, child support fees will be withheld from an absent parent no matter what the other parent's income. The system could be adopted at the federal level, Loftus says, establishing "in principle and in practice that parents are responsible for their children, not the government."

☆ LINLEY PEARSON
Indiana Attorney General

Pearson, a 38-year-old Republican, has taken a particularly sensible approach to the problem of toxic waste dumping. While many states go after dumpers by filing vindictive, highly publicized lawsuits and pursuing them for years as appeals and motions delay the final resolution, Pearson has made it his goal to clean up toxic waste quickly and cheaply. He doesn't let violators off easily, but they do stay in business so they can foot the bill for cleaning up.

An example is a settlement reached two years ago with Enviro-Chem, whose illegal dumping produced chemical fumes that killed one man and injured two others. The state first filed a lawsuit, but then pursued an out-of-court settlement with Enviro-Chem that put the company into receivership, fined it $50,000, and made it responsible for the cleanup of the dumping site. When criminal or particularly reprehensible conduct is involved Pearson goes the traditional judicial route, but eight cases similar to Enviro-Chem's have been resolved in much the same way.

☆ BILL HONIG
California School Superintendent

Honig's relative inexperience in government (he was first elected last November) might ordinarily disqualify him from our list. But during his brief tenure, this lawyer-turned-educator has already accomplished what many school superintendents never even attempt: a wholesale overhaul of his state's declining public schools.

Honig's program, recently enacted by the California legislature, correctly focuses on improving the quality of teaching. Among his proposed changes, all opposed by powerful teachers unions: making it easier to fire bad teachers; allowing school districts to institute merit pay; and letting ability, not just seniority, govern lay-offs. Honig has also championed higher educational standards for high school graduates and stricter disciplinary rules.

Though a Republican, Honig doesn't think the return of prayer and the abolition of federal grants will be the salvation of public education. In fact, despite vigorous opposition from California governor George Deukmejian, he has called for $1 billion in new revenues, most of it earmarked for higher teacher salaries. Coupled with little more than vague homilies about improving education, this would rightly provoke cynicism; combined with sweeping, sensible reforms, we find this admirable.

☆ KELLY NIX
Louisiana Superintendent of Public Instruction

In his six years in office, Nix has brought Louisiana schools from mediocrity to respectability. Much of his program—stiffer standards for promoting students and evaluating teachers—sounds commonplace today, but that's largely because it presaged by several years the recent recommendations from the National Commis-

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LINLEY PEARSON
Indiana Attorney General

BILL HONIG
California School Superintendent

JIM HIGHTOWER
Texas Agriculture Commissioner

THE BEST OF THE WEST

Thanks to last November's elections, the Democratic party's traditional power bases can once again boast top-notch governors like New York's Mario Cuomo and Wisconsin's Tony Earl. But some of the party's strongest, most effective leadership is coming today from places one has never thought of as hotbeds of Democratic talent: Mississippi, New Mexico, Florida, Colorado, Utah, and Arizona, all traditionally conservative states in which Democrats now hold the governorship. In most cases lacking loyal partisan support in their legislatures, these governors have devised progressive, thoughtful programs that can withstand the litmus tests of "efficiency" and "productivity" imposed by conservatives while furthering more traditional Democratic goals of compassion and equity.

In Mississippi, soft-spoken Bill Winter has overcome decades of educational neglect and racially motivated intransigence in championing a new kindergarten program and compulsory attendance laws.

Colorado's Dick Lamm, a crusading environmentalist when he was elected in 1976 on an anti-Winter Olympics platform, has worked diligently to round up business support in efforts to plan for and accommodate new growth for the most populated section of the state. In Florida, Bob Graham has prevailed against powerful special interests in devising environmentally sound methods for managing sensibly, but not stopping, the state's explosive growth. In New Mexico, newly elected Governor Toney Anaya has put together an activist cabinet unafraid of challenging the state's entrenched interests on issues ranging from the environment to immigration reform.

Two governors who deserve particular praise are also from the Sunbelt—Arizona's Bruce Babbitt and Utah's Scott Matheson. Babbitt, who has held the office since 1978, has made education reform a top priority. Along with school superintendent Carolyn Warner, Babbitt has gone against the objection of teachers unions to seek accountability for the educational system: teachers are now tested regularly, and the results of basic skills tests administered to students every year are made public to allow early detection of trouble spots. Babbitt has also moved to exempt more state jobs from civil service hiring and firing guidelines, an effort opposed by civil servants but one that's badly needed to make the governor more accountable for all of state government's actions.

Babbitt's biggest achievements have come in the area of health care. Arizona's long-standing refusal to participate in Medicaid gave him an opportunity to devise a demonstrably superior health program for the needy. The plan, by forcing health care providers to compete against one another, encourages preventive medicine and gives doctors and hospitals strong incentives to lower costs. For the bankruptcy-bound Medicare system Babbitt has also urged consideration of a means test that would make the rich contribute more to health care—a particularly forthright stand in a state with such a high percentage of retirees.

In Utah, Democrat Scott Matheson has made great strides despite opposition from the most veto-proof Republican legislature in the nation. Unlike governors who actively seek federal funds, even for dubious pork-barrel schemes, Matheson has commendably shunned federal aid for water projects that benefit only Utah. Because borrowing money is necessary to do this, he has earned stiff opposition from debt-weary legislators, but Matheson has stuck to his guns: "We'd prefer to be self-sufficient," he says.

Like Babbitt, Matheson has focused a lot of attention on schools, which are fast becoming overcrowded because of the state's baby boom. Rather than spend billions on new facilities, Matheson has championed temporary classrooms, double sessions, and year-round schedules, a position that angers many parents and teachers but promises to avoid the plight of other, overindulgent states who have found themselves stuck with expensive—and empty—classrooms.

—Doug Jehl and Eric Schnurer

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sion on Excellence in Education that have spurred the rest of the nation to progress in those areas.

Nix has hiked teacher salaries 58 percent in the last four years. While we generally don't approve of across-the-board increases for teachers, in this case they may have been necessary: Louisiana's teachers had been among the nation's lowest paid, with annual salaries averaging $10,092. More important, in exchange for the fatter paychecks and some sweetened benefits, Nix has rightly demanded stricter standards for hiring teachers, better college grades and skill-test performance, and a longer apprenticeship. What he hasn't done is attempt to convince teachers unions to accept salary structures based on merit rather than seniority, but with Louisiana student SAT scores 80 points above the national average, we're convinced Nix is doing a lot that's right.

☆ DAVID AXELROD

New York Health Commissioner

Axelrod, a Hugh Carey appointee who helped blow the whistle on Love Canal, attracted newspaper headlines and the enmity of the New York medical community in February when he spoke frankly about a serious problem: incompetent doctors. Axelrod noted that studies show one doctor in ten becomes impaired by either drugs or alcohol at some time in his career and went on to advocate substance-abuse prevention and treatment programs designed specifically for doctors.

An accomplished medical researcher who seems concerned about the future of his profession, Axelrod is cracking down on other kinds of incompetence, too. Under his prodding, the state health department, which once had a cozy relationship with the state's doctors, is now investigating allegations of medical incompetence and reporting them to the state's board of regents, which took action last year against 53 doctors—five times as many as in 1980.

Axelrod also pushed for the current year-long moratorium on construction and renovation of hospitals and nursing homes. The moratorium brought heated criticism from prospective builders and citizens who wanted hospitals closer to their homes, but it's something other states might want to try—many share with New York the problem of too many hospital beds in some areas and not enough elsewhere. Axelrod believes the moratorium will offer an opportunity for the state to take a deep breath and determine, for instance, whether old hospitals like Mount Sinai and Columbia Presbyterian ought to be refurbished or eventually closed.

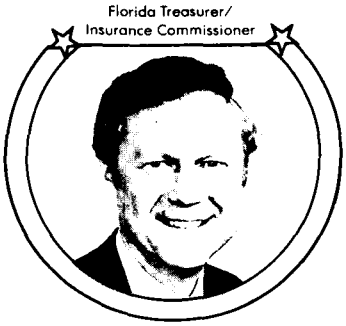
☆ KENT CONRAD

North Dakota Tax Commissioner

Conrad, a former aide to Byron Dorgan who succeeded his boss as tax commissioner when Dorgan went on to Congress in 1981, resembles his predecessor in many ways. He's a bright, witty, combative populist whose political ambitions go far beyond the tax office.

Under Conrad's leadership, the department has become the "best-run" North Dakota agency, according to the state's audit department. With a cost of only one-quarter cent for every dollar it collects in taxes, it's also one of the most efficient collection departments in the nation. When financial strain became acute last year, Conrad volunteered his department's services to help ease the pain: he not only cut costs but encouraged employees to work volunteer overtime hours conducting audits that netted the state about $1 million in extra revenues. This year, collection efficiency will far surpass previous records, and, if Conrad is right, a new Catch-the-Tax-Cheaters program should make next year even more profitable: the $950,000 program is expected to bring in more than $10 million that would otherwise have been lost.

BILL GUNTER
Florida Treasurer/
Insurance Commissioner



THOMAS LARSON
Pennsylvania
Transportation Secretary

DICK SCHULER
New York Public Service
Commissioner

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Some other Conrad concerns don't really fall within the tax commissioner's domain, but that hasn't stopped him. Conrad has fought a running battle with Burlington Northern, Inc., the holding company that Conrad charges is illegally abandoning needed rail service in North Dakota to fund more profitable mineral development. An ardent defender of farmers, for whom line shutdowns are most painful, Conrad would like to see B.N. return full-time to the rail business.

JIM HIGHTOWER

Texas Agriculture Commissioner

With most national Democrats still dreaming of the good old days of something-for-everybody programs, in Texas Jim Hightower is preaching a very different message. For more than ten years as a crusading journalist, Hightower carried the lance for the folks who get "gouged" and can't do anything about it. Now as state agriculture commissioner, Hightower has a chance to put his old-time populism to practice.

In office only a few months, Hightower has already set up farmers markets to enable farmers and consumers bypass the middlemen. On a larger scale, Hightower is helping farmers set up processing plants so they can move "up the food chain" and up economically as well. This kind of self-help economic populism is warming the political blood in what the pundits had written off as a conservative state. It's a promising alternative to corporate giveaways on the one hand, and to top-down, social-program liberalism on the other.

BILL GUNTER

Florida Treasurer/Insurance Commissioner

Gunter, a former congressman, heads one of the nation's most aggressive and efficient insurance regulatory agencies in the nation. Known as a hard-working consumer advocate, soon after he was elected Gunter masterminded a statewide petition drive that led to the writing of strong, no-fault insurance laws which were vehemently opposed by the state's trial attorneys. Under Gunter, Florida has become the first Southern state to have a board that regulates hospital costs, established an insurance fraud division that has obtained more than 500 convictions in the past six years, and established a statewide consumer-service network with more than 20 local offices to champion consumer complaints.

More important is Gunter's effort to get a controversial excess-profits law providing for

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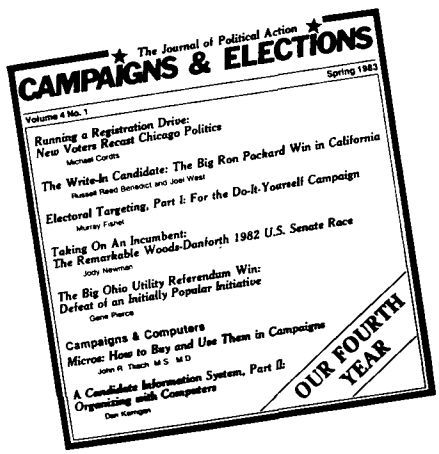

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mandatory refunds to consumers when insurance companies make more money than anticipated over a three-year period. This allows consumers to share the benefits when the company makes a mistake in insurance's ceaseless guessing game, setting rates too high because of inaccurate projections. Though the law is still being challenged by the state's insurance companies, so far millions of dollars have been refunded to overcharged customers.

DICK SCHULER

New York Public Service Commissioner

Many commissioners make a name for themselves with vocal opposition to every rate increase. Full of "all-utilities-are-bad" bluster, they seldom think farther ahead than the next rate hike. Not Dick Schuler. A professor of economics at Cornell on leave to work for the state, he's more than just tough-minded when it comes to rate hikes, having taken a hard look at how to make utilities thrifty, entrepreneurial corporations.

One Schuler solution disturbs those who'd prefer to see utilities eking out the barest profit possible, but it makes sense to us. Spurred by news of yet another astronomic cost overrun in the long-delayed Nine-Mile Point 2 power plant, Schuler developed a program setting a sliding profit scale as an incentive for utilities to build frugally. The better they do their job, the larger the profits they're allowed. Such efficiency, Schuler explains, saves customers money, but it takes a carrot-and-stick approach to make it come about.

THOMAS LARSON

Pennsylvania Transportation Secretary

Five years ago, Pennsylvania's Department of Transportation was by all accounts corrupt, mismanaged, and millions of dollars in debt. Today it's considered a model of excellence, and the credit, most everyone agrees, belongs to Tom Larson. A former Penn State engineeering professor and leading critic of the department, Larson took the bait when Governor Dick Thornburgh challenged him in 1978 to put his talent where his mouth was, and though he agreed to work for only two years, he now says he has no plans to leave.

Inheriting a department rife with corruption, Larson decided to appoint a full-time inspector general to ferret out wrongdoing. Once-common practices like "borrowing" state asphalt to resurface a driveway and siphoning fuel from state vehicles have all but ceased, largely because Larson has had no qualms about firing those found guilty. A demanding leader, Larson also sets goals for department managers; those who cannot or will not meet them are demoted or fired.

To attract talented employees loyal to Larson and supportive of his agenda, Larson replaced county-level patronage with what he likes to call "meritocracy"—but is in fact another, better form of patronage. Under the old system, county party chairmen selected the county transportation managers, which meant many appointed themselves or someone even less qualified. Now Larson, with the aid of nomination commissions, does his own hiring, and because the jobs aren't civil service slots, he can and does fire those who don't pan out. This allows Larson to be accountable for every action and decision his department makes; no longer can he shrug off an incompetent as someone else's problem.

Larson's biggest accomplishment so far has been to stop the pattern of pork-barrel road projects that left the state so in debt that necessary projects were endangered. And unlike many states, Larson is wisely using federal funds largely for renovation and road-repair work rather than for the new roads often preferred by county politicians.

RUSSELL SCHWEICKART

California Energy Commissioner

A former astronaut, Schweickart is the acknowledged leader of the nation's most innovative energy commission. Under his chairmanship during the Brown administration, the commission took long strides in promoting energy-saving measures that, by eliminating the need for large new generating plants, can save rate payers billions of dollars. Strict regulations mandating energy efficient appliances angered manufacturers, but they ensure that nothing but the most efficient goods will reach California's market. Uniform building standards with stiff energy conservation standards, developed but then delayed after strong lobbying from the construction industry, are to go into effect soon. Such regulations are long overdue, not just in California, but elsewhere.

What Schweickart considers the commission's most important and formidable task involves forecasting the state's future energy demands and allowing utilities to build new power plants only on that basis. This has greatly angered utilities. But with many areas of the country now suffering from a costly glut of power plants, the need for such planning is clear. ■

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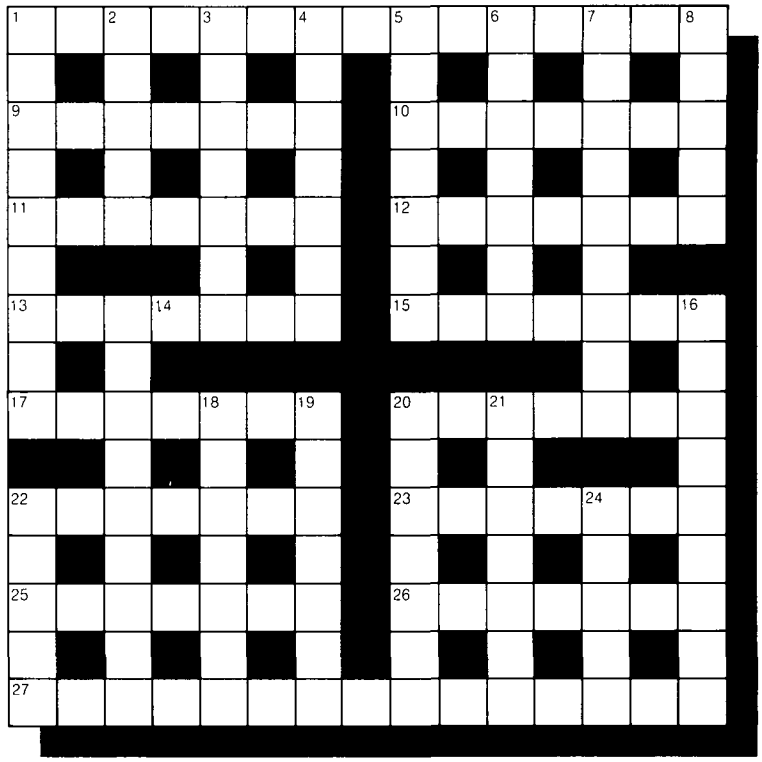
POLITICAL PUZZLE



by John Barclay

The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.

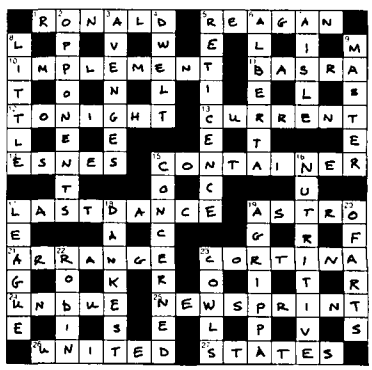
ACROSS

1. Hobson's choice doesn't amount to much? (6,2,7)
9. Gene inside wild ram may be relevant. (7)
10. Guest carries sunshade around it. (7)
11. Ice pals assembled for extraordinary TV show. (7)
12. Emptied but in the end got wetter. (7)
13. Eve sang out of tune, gets even. (7)
15. Teasing without 50 is lacking. (7)
17. New net lite name. (7)
20. Emily Post in the sugar and oil business? (7)
22. Incarcerated with a spoon? (7)
23. Display of style arranging can heap. (7)
25. Senator NOW can count on marked for elimination? (7)
26. Iris's son turned out to be composer. (7)
27. Complete article preceding full female noise. (3,5,7)

DOWN

1. Enact laws when member is dead? (9)
2. Briefly intersect in the middle. (5)
3. Angle in disturbed inclination. (7)
4. Singular diseases afflicting speaker's family? (7)
5. Laxalt and Evan combined. (7)
6. With Will trial eroded? (7)
7. Aim of popular shelter particle? (9)
8. Eviscerated squash plant, we hear. (5)
14. Erect taxi unusually free. (9)
16. Pastime confused gin danger. (9)
18. From start to finish the endless bad lie. (7)
19. Football player source did turn out happily. (3,4)
20. Intelligence about harbors? (7)
21. Penalty points demonstrate exceptional smoothness. (7)
22. Tired being in Ron's grasp entirely. (5)
24. Greek letter not applicable in Asia. (5)

Answers to last month's puzzle:



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William Greider
ON POLITICAL BOOKS

For nearly a generation, in each administration, the machinery that makes American foreign policy has undergone a kind of institutional breakdown. This repetition ought to tell us that there is something profoundly wrong in the design.

Instead, each time, the structural problems are treated both by the press and by participants as a peculiar conflict of personalities, a struggle of wills between strong men battling for control of policy. Kissinger at the White House versus Rogers at State. Vance at State versus Brzezinski at the White House. Alexander Haig at State versus everyone at the White House. Now we have another secretary of state and yet another chapter in the same drama, Shultz at State versus Clark at the White House. Once again, everyone chooses up sides between the cautious, fuzzy secretary of state and the president's hard-headed, aggressive national security counselor. Which one will prevail? Washington loves familiar dramas.

The two new memoirs from the principal combatants in the Carter administration—Zbigniew Brzezinski's *Power and Principle* and Cyrus Vance's *Hard Choices**—are, unfortunately, exceedingly opaque books. They lack genuine insights on what's wrong with the institutional arrangement that so regularly produces these squalid battles and breakdowns. Vance and especially Brzezinski apparently are unaware of how pathetic and, in some ways, impotent they seem in their inability to rise above the inevitable collision built into the division of their responsibilities. Given the texture of their very different personalities, I doubt that their reflections would have improved much if they had waited a few years to write about their performances.

What they have given us instead—quite unintentionally, I'm sure—is raw, unexamined evidence of the pathology. Taken together, their books might be regarded by social scientists the way a coroner approaches a fresh cadaver. They may provide clues to the institutional ailment, if their stories are dissected by objective investigators.

Both men, the Wall Street lawyer and the Polish emigre college professor, seem to believe that "process" itself was the controlling element. They write about their acknowledged conflicts as if they were produced and controlled by the original memoranda approved by Jimmy Carter that set up policy committees and defined the division of labor and prescribed the channels of communication. Vance, in particular, laments his own acquiescence to Brzezinski's control over the final reports of policy discussions that would be delivered to the president himself. The secretary of state discovered somewhat belatedly that, if Zbig controlled the "eyes only" paper that went into Jimmy, then Zbig could rewrite every argument to make himself the winner—and he often did. "I made a serious mistake in not going to the mat" on this point of procedure, Vance writes.

He is probably correct about that, but it begs the question. For three and a half years, Vance knew that Brzezinski played his hardball games with the paper, gave his own private press briefings that changed policy in not-so-subtle ways, even developed his own back-door channels to diplomats abroad, egging them on with contrary instructions. Except for a few brief passages of hand-wringing complaints, Vance does not explain why he tolerated any of this. He portrays himself as the decent, patient steward, always thoughtful and deliberate, exactly the stereotype that the foreign policy establishment loves in a secretary of state—and the same stereotype with which the press has so eagerly cloaked the present incumbent.

But Vance's book inadvertently reveals what Brzezinski undoubtedly sensed about his rival. Vance couldn't lead foreign policy and run the State Department at the same time. He couldn't negotiate with the Soviets on arms control and simultaneously know all that he should have known about the diplomatic reporting from Iran. He couldn't elbow Brzezinski aside to whisper in the president's ear and at the same time authentically represent the diverse and generally expert opinions of his own corps in the field. Given the

William Greider is national editor for Rolling Stone *magazine.*

* *Power and Principle: Memoirs of the National Security Advisor 1977-81,* Zbigniew Brzezinski, *Farrar, Straus, Giroux, $22.50. Hard Choices: Four Critical Years in America's Foreign Policy,* Cyrus Vance, *Simon & Schuster, $17.95.*

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structure that exists, sooner or later the secretary of state will always lose this struggle.

Brzezinski's book helps explain why, though he prefers to describe the conflict as rooted in personalties. Vance was the tired old rep of the "once dominant WASP elite" whose values had "declining relevance" to domestic politics and to global conditions (this decline will be news to the rest of the world as well as to many Americans). Zbig, on the other hand, is the brash and resourceful outsider who shares the new president's cultural distance from the establishment, who is tough-minded and ready to take risks. He is also deeply insecure. He is also prepared to suck up to his new boss in the most shameless, unrelenting manner.

Brzezinski describes his own conduct in embarrassing detail, though of course he's not embarrassed because he lacks any perspective on his own crude manipulations. He tells deliciously revealing anecdotes about himself and the president intended to show how clever he was, how intimate he became with the maximum leader, unaware that he is drawing a fiendish self-portrait of a man starved for glory and masculine fulfillment.

In that sense, I am compelled to emphasize that—regardless of the substantive policy disputes—Brzezinski has written a much more interesting book, perversely fascinating because of his naked egotism. Vance cloaks himself in banality, hides behind stale bromides from Council on Foreign Relations seminars, as though he had cleaned out his old speech file to pad the book. Brzezinski is blood and bile, a real human being, though one shudders to recall that in the closing years of the Carter administration this particular human being was dominating our foreign policy.

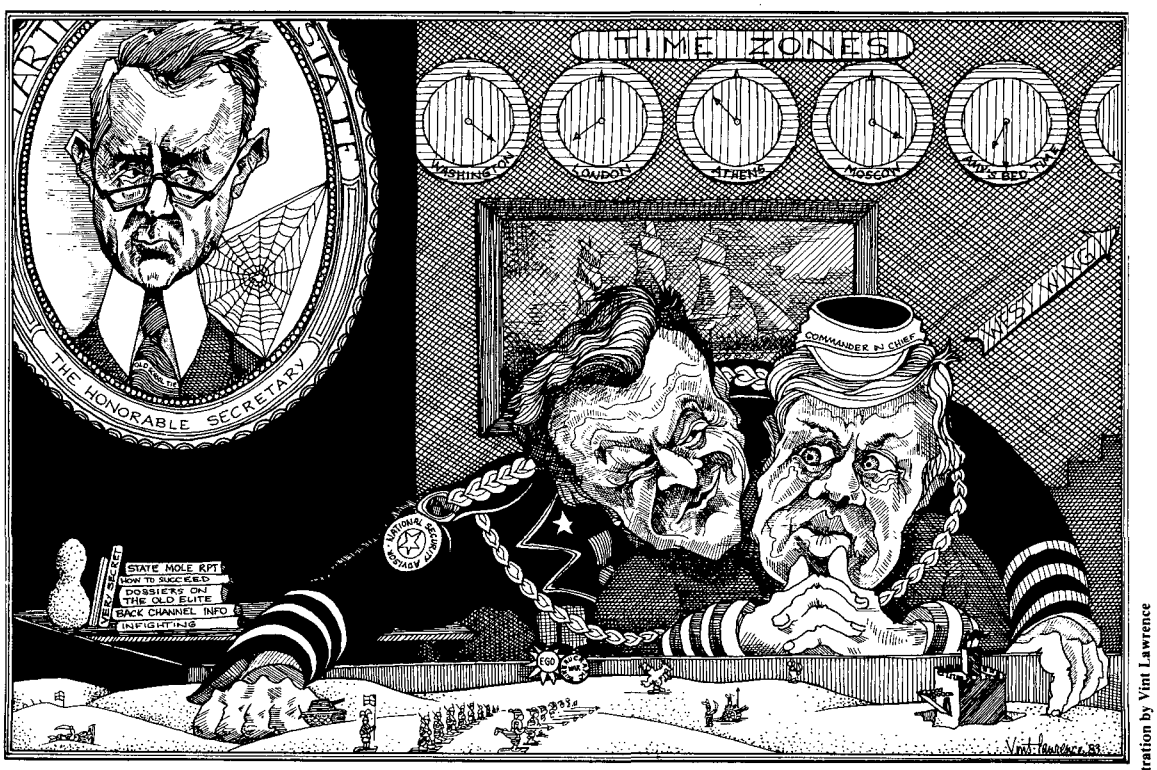

Illustration by Vint Lawrence

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The institutional tensions between these two men and their two conflicting roles led to breakdown finally over Iran. Vance was ignorant of what his own department was reporting on the Shah's political future, too busy doing other things or unable to open up the internal channels so that the early alarm bells sounded by the junior analysts and embassy officers would be heard by himself and the president. As the Shah stumbled toward collapse, Brzezinski's institutional advantages triumphed. The proximity and narrow functions of the NSC adviser inevitably allow him to provide what every president wishes he would get from the State Department but is nearly always disappointed. While Vance muddled, Zbig counseled bold, tough, brisk responses—never mind that his advice was contradicted by on-the-ground reporting from the American diplomats in Iran. No American president wants to look like a loser, so Jimmy Carter stood by the Shah, failed to face reality, and, in time, reality made him look like a wimp. This same process seems to be underway again with the incumbent president in Central America.

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The symbolic climax for the Vance-Brzezinski collision was the ill-fated hostage rescue mission in Iran in April 1979. Vance was against it; Zbig was bullish, worried that "an excess of prudence" might abort the mission when he wanted to go forward. Vance resigned and, typically, his memoir fails to explain that decision in plausible terms. After all, he swallowed a lot of errant nonsense and wrong-headed decisions for several years; it is not altogether clear why he finally choked on the rescue mission.

Brzezinski, meanwhile, really *enjoyed* the rescue mission. One can tell that from his vivid account of the melodrama as hour-by-hour action reports are forwarded to him at the White House. His adrenalin was up; it was almost as though he was a general himself, leading the troops in the field. But, of course, Zbig was safe here in Washington while men were dying in the Iranian desert. His account reminded me of similar heart-pounding narratives that Gerald Ford's advisers provided after their great rescue mission, the bloody Mayaguez incident, another disaster which they described as a triumph of boldness.

I think this is an important clue to the pathology. In episode after episode, the existing structure allows otherwise intelligent men to play soldier in the safety of the White House. The foreign policy papers sent over from State seem dull and complicated and cautious, but the White House Situation Room where the NSC adviser presides is exciting and direct, a place where bold men can make bold decisions and stay up all night waiting for the outcome. College professors like Brzezinski and Kissinger loved to play soldier in order to demonstrate their toughness. But so do presidents.

Perhaps the beginning of reform would be to reestablish regular order to the governmental structure—to abolish the NSC adviser and see if the State Department can be prodded or rehabilitated into filling the role for which it was created. Obviously, there is something very wrong with the State Department too. Why else would a succession of presidents become so frustrated with the bureaucracy and come to rely on their free-lance advisers at the White House? Unfortunately, I don't expect the State Department can be reformed until its genuine responsibility is restored. Until the experiment is tried, we will continue to have foreign policy with two heads, one brash and cocky and ill-informed, the other plodding and cautious and bewildered. This is very dangerous for the rest of us. ■

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POLITICAL BOOKNOTES

Entrepreneurship, Productivity and the Freedom of Information Act. William L. Casey Jr., John E. Martinsen, Laurence S. Moss. *Lexington, $14.95.*

The Hearts of Men: American Dreams and the Flight from Commitment. Barbara Ehrenreich. *Anchor Press, $13.95.* For years, anti-feminists have been pointing to the growing incidence of male desertion and female poverty as the inevitable price women pay for rewriting the social contract between the sexes.

Ehrenreich turns this notion on its head, arguing convincingly that the male revolt against responsibility began years before *The Feminine Mystique.* The cause was a gradual change in the way society saw not women, but men. The "masculine" man, until the fifties, was the stalwart breadwinner. Today, masculinity is frequently associated with the independent-minded runaway who rebels against responsibility—and often ducks paying child support.

Instead of causing the problem, Ehrenreich says, feminism can help solve it, by offering suddenly single women better pay and more confidence, and by relaxing the rigid expectations for male behavior that caused the rebellion in the first place.

She writes calmly, with empathy and with the understanding that women are not the only victims of men's flight from commitment.

—*Tina Rosenberg*

The Price of Power: Kissinger in the Nixon White House. Seymour Hersh. *Summit Books, $19.95.* This widely heralded book is both welcome and disappointing. It's welcome because most of the public still believe Henry Kissinger was a great statesman, and there is evidence on practically every page to show that he wasn't. For those who have paid closer attention to his career, it is a useful compendium of dirt to place on the bookshelf next to his memoirs. If the book has a certain dog-bites-man quality (he played both sides in the 1968 campaign and lied incessantly—so what else is new?), Hersh's painstaking—and as far as I can tell—accurate reporting still provokes the intended revulsion.

But the author's blow-by-blow style is also his biggest weakness. The book most desperately needed on Kissinger would be one that subtly explains what makes him tick. This isn't that book: it takes you inside the White House, but not inside Kissinger's mind. The book's texture is that of a careful, unhysterical legal brief, not an insightful biography. Instead of explaining how the same man could both brilliantly open relations with China and wiretap his closest friends, he belittles the China opening and treats the wiretaps as if they were part of a police blotter instead of exploring what insight they offer into Kissinger's character. Perhaps it's too much to ask an investigative reporter like Hersh to turn into a thoughtful student of character and motivation. But he might have avoided Nixon's and Kissinger's common flaw—a premium on toughness above all else.

The best parts of the book are on lesser-known episodes like the "tilt" toward Pakistan and the painfully inadequate response to Biafra. Unfortunately, Hersh stops at 1973 and plans no second volume, which means other, underexamined parts of Kissinger's career are missing altogether. The word OPEC, for instance, does not appear even once in the book, although many former government officials now suggest that a Kissinger deal with the Shah of Iran helped drive up oil prices. That may not be as close to Sy Hersh's heart as beating the old drum on Vietnam, but it's a story more in need of his talents.

—*Jonathan Alter*

Red Carpet. Joseph Finder. *Holt, Rinehart & Winston, $16.95.* This is the story of how a handful of American businessmen, such as Armand Hammer, Cyrus Eaton, David Rockefeller, and Donald Kendall of Pepsi, have moved heaven and earth to peddle their wares in the Soviet Union.

The irony is lush—these respectable Americans so eager to fulfill Lenin's well-known prophecy that the capitalists would sell Russia the rope by which they would be hanged. Finder tells his story with admirable restraint, letting the personages, well, hang themselves (when they do).

What comes through, above all, is how much some of these supposed antagonists—the industrial magnates and their Soviet counterparts—have in common. Survivors of bureaucratic wars, connived

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upon and conniving, moral compasses stuck at self-advantage, hungry for adulation and—above all—respect. It's no wonder that men like Leonid Brezhnev and Donald Kendall of Pepsi get along.

But what does it *say* about the standard world view, when the top capitalists and top communists can be so much alike? That companies like Ford and Bechtel can help to build the Soviet economy, and then get lucrative Pentagon contracts to "defend" us against a Soviet juggernaut they helped create? Finder doesn't say. His eye is so glued to the microscope, he hardly steps back to ask. But while his story sometimes falters in the dense-pack anecdotal detail, the facts are here. It's an admirable research job and will provide much fodder for those who undertake to fathom what it all means.

—*Jonathan Rowe*

Statecraft as Soulcraft: What Government Does. George F. Will. *Simon & Schuster, $13.95.* Will seems to have written this book to establish once and for all that his conservatism is not the prevailing kind—the free-market vision of that 18th-century liberal Adam Smith—but rather the Burkean kind, which values government as an institution that carries forth traditions. Much of what Will writes about the importance of civic virtue echoes what has been written in this magazine about the need for our government not simply to broker between special interests, as the liberals routinely propose, or to allow the sterility of the free market to prevail, as conservatives propose, but to promote shared values. Unfortunately, when it comes to putting his political philosophy in practice, Will is less successful: for example, after discussing the importance of education in our society, he endorses tuition tax credits—a classic free-market solution that shrugs off the possibility of government ever doing a better job with public education. No wonder people still confuse him with Milton Friedman.

—*Timothy Noah*

The World's Money. Michael Moffitt. *Simon & Schuster, $15.95.* This timely and disturbing book details how the world's bankers have pushed us to the brink of global disaster through a combination of imprudent Third-World loans, massive currency speculation, and high interest rates. Particularly revealing are the glimpses of a part of the banking world that is largely immune from government regulation and rife with deceits used to justify reckless behavior. As one banker is quoted, "You've got to be cynical. Everyone knows Poland is in default, but if we say so, we admit we're bad bankers who made loans we never should have made."

Moffitt's antipathy toward Walter Wriston, et al., occasionally slants his judgment; for example, he relegates OPEC's complicity to a few passing references. But overall, this is a valuable book, whose warning may, unfortunately, prove all too prophetic.

—*Phil Keisling*

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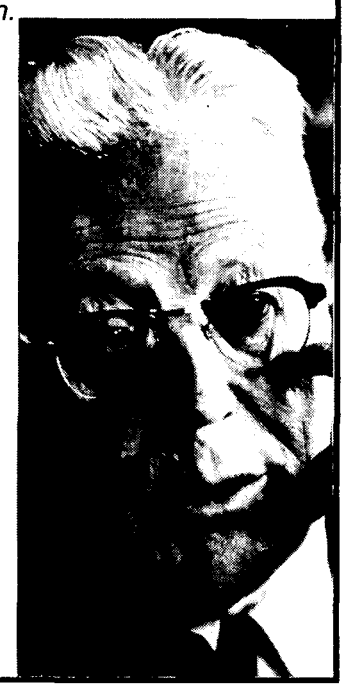

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The award is made possible through a grant from Mrs. Eugene C. Pulliam.

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"Cloning the sun's fire
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"Nuclear fusion is the energy source of the sun and the stars, and if we can reproduce
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s Dr. Tihiro
ice President for
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poration.

ment of Energy and others, could lead to construction of an experimental fusion reactor within a decade.

"Both fusion and conventional fission reactors produce heat, which can, for instance, generate electricity. But fusion produces less radioactive waste than fission. It can't get out of control. And it uses cheaper fuel—hydrogen instead of uranium. In fact, fusion

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